德龙控股

DELONG HOLDINGS

ANNUAL REPORT 2014

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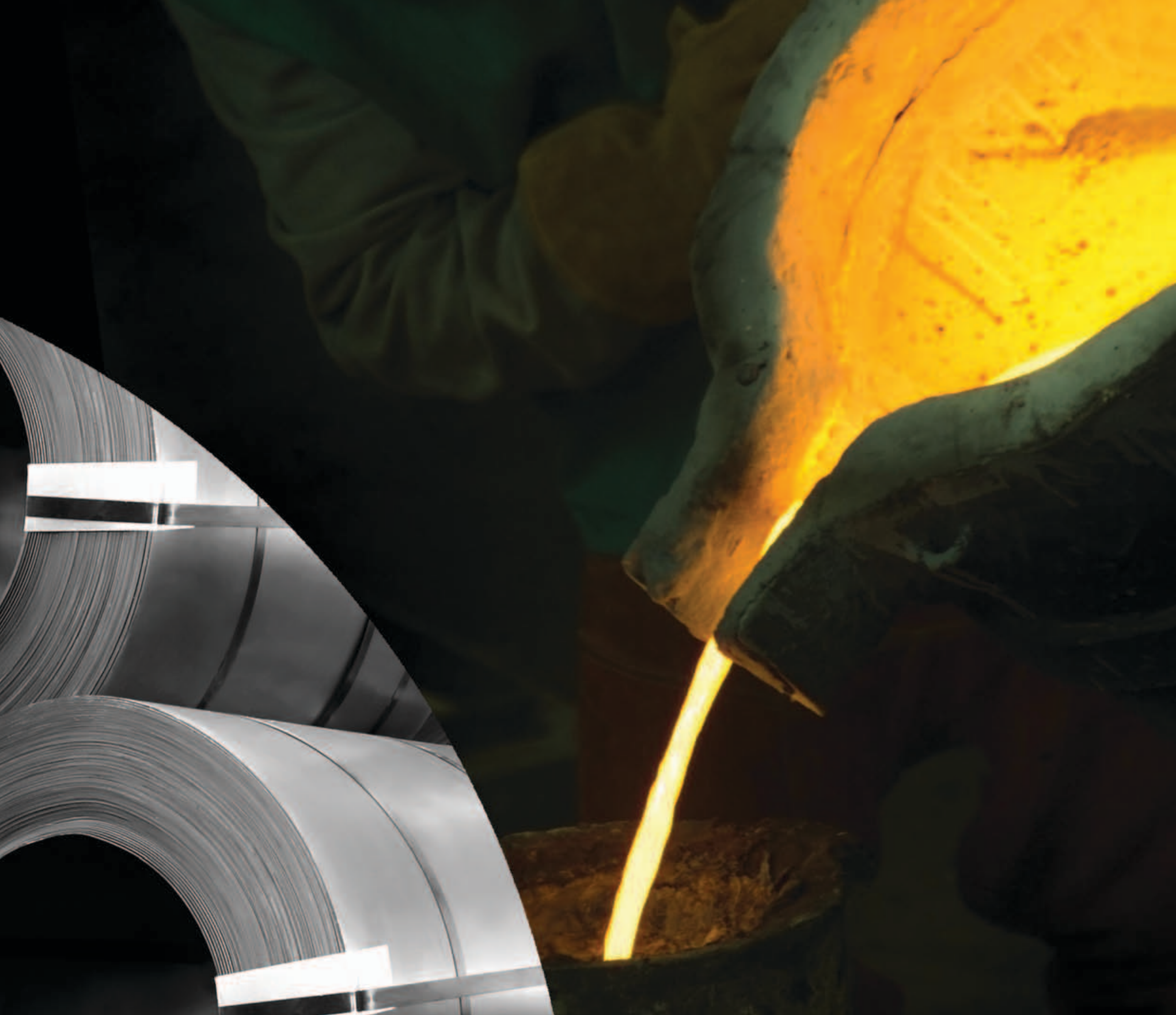


OUR VISION

Headquartered in Beijing, China, Delong Holdings Limited is a steel manufacturing group committed to playing its part in growing the Chinese steel industry through progressive thinking and sustainable practices.

We envision Delong as one of the leading steel companies in China, contributing strategically to the country's economic landscape and creating long-term value for our stakeholders.

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

2014 continued to be a challenging year for China's steel industry with slowing economic growth, weakened demand, low average selling prices and an oversupply situation that led to intensifying price competition amongst steel manufacturers. Mounting environmental concerns over industrial pollution in China added to the problems, resulting in an unfavourable operating environment that limited our ability to generate greater value for shareholders.

Despite the difficulties, we were able to achieve a turnaround from losses to profitability during the year, which was supported by lower cost of production as prices of iron ore, a key raw material in steel production, trended down during the year.

Therefore, it is against this backdrop that I present to you Delong Holdings Limited's ("Delong" or the "Group") annual report for the financial year ended 31 December 2014 ("FY2014").

THE YEAR IN REVIEW

Group revenue decreased by approximately 17.5%, or RMB2,024.1 million, from RMB11,547.7 million in the previous financial year ("FY2013") to RMB9,523.6 million in FY2014. The decrease in revenue for FY2014 versus FY2013 was due mainly to an overall decrease in volume and average selling prices of our Hot Rolled Coils ("HRC") and steel billet products.

For the year under review, overall sales volume was 8.8% lower at 3.3 million tonnes. On a breakdown basis, sale of HRC products rose from approximately 2.7 million tonnes in FY2013 to approximately 2.9 million tonnes in FY2014, while steel billet sales was significantly lower at approximately 0.4 million tonnes in FY2014, from approximately 1 million tonnes a year ago.

While revenue was lower, a decrease in raw material prices contributed to higher overall gross margins, with the Group achieving a 28.4% gain in gross profit to RMB660.1 million in FY2014, from RMB514.3 million in FY2013. Correspondingly, gross profit margin for FY2014 was 6.9%, an improvement of 2.4 percentage points from 4.5% in FY2013.

Distribution and marketing expenses increased to RMB55.8 million during the year, from RMB12.7 million in FY2013. This was due mainly to higher transportation costs as the Group started to offer and provide delivery of products to certain customers in view of the intense competition in the steel industry.

On the other hand, the Group's efforts to control costs contributed to a decrease in administrative expenses to RMB302.6 million in FY2014, from RMB312.1 million in FY2013, and would have been lower if not for pre-operating expenses incurred for the establishment of a new set-up in Thailand.

Finance expenses rose to RMB228.9 million in FY2014, from RMB194.2 million in FY2013, due mainly to an increase in bank borrowings drawdown for working capital purposes and higher interest rates during the year in review.

As a result of the above, the Group recorded a turnaround in FY2014, with a net profit after tax and non-controlling interest of RMB100.9 million in FY2014, from a net loss of RMB27.1 million in FY2013.

THE YEAR AHEAD

We expect the operating environment for steelmakers will continue to be fraught with difficulties over the short and medium term. China's central government has projected a slower economic growth target of 7.0% for 2015, which is the lowest target it has set since 1999. We expect this to further moderate the prospects of a recovery in demand for steel products in 2015, which together with factors such as rising labour costs and a global oversupply of steel, will severely limit steelmakers' ability to generate growth and profit.

Further, mounting concerns over industrial pollution in the PRC and the ongoing haze issue have also prompted the Government to take a strong view towards resolving the environmental issues – which may adversely impact the steel industry in terms of production and steel transportation.

We expect the weak operating climate to have a direct impact on Delong's business environment, and we are adopting a cautious stance on our prospects going forward. However, there is a silver lining –the current oversupply and environmental issues are expected to bring about further consolidation within the industry, which we believe will pave the way towards the establishment of a healthier, more efficient and sustainable steelmaking industry over the long run.

We believe that our focused efforts over the past years in sustaining the Group's competitiveness have positioned Delong to emerge as a survivor of the industry consolidation. We had invested in capacity expansion through the acquisition and subsequent technological enhancements at our second mill – Laiyuan County Aoyu Steel Co. Ltd. To comply with the increasingly stringent environmental guidelines, we will continue to invest in technological upgrades and enhancements to reduce emission, improve energy efficiency and waste resource utilisation.

We are also in the midst of establishing a new joint-venture production plant in Thailand with three strategic partners. Preparations for this new plant is in progress, and when operational, will enable the Group to expand into a new geographical market and tap on the demand for hot rolled narrow strip steel products in Thailand.

APPRECIATION

In closing, on behalf of the Board of Directors, I take this opportunity to thank our staff for their commitment and dedication, and our business partners and shareholders for their loyal support through all the up and down moments. We look forward to your continuous support as we continue on our corporate journey.

Ding Liguo
Executive Chairman

BOARD OF DIRECTORS

Mr Ding Liguo
Mr Ding is the *Executive Chairman* of the Company and is in charge of the overall management and direction of the Delong Group. From 1998 to 2003, Mr Ding was the Chairman of Tangshan Liguo Enterprise Group Co., Ltd and from 1992 to 1998, he was the Chairman of Tangshan Changcheng Rolled Steel Factory. Prior to that, Mr Ding was an employee with Shenzhen Futian District Materials Bureau from 1991 to 1992. Mr Ding received a diploma in Machinery Manufacturing from the Hebei Technological Institute in the People Republic of China ("PRC").

Mr Zuo Shuowen
Mr Zuo is the *Executive Director* of the Company and is responsible for overseeing the operations of the Group. He joined the Group in 2003, and was promoted to General Manager of the Group's principal subsidiary, Delong Steel Limited, in 2007. From 2000 to August 2003, he was an accounts manager of Tangshan Hengan Enterprise Co., Limited, overseeing all financial matters in that company. Mr Zuo received a diploma in Accountancy from the Hebei Hongrun Commercial School in 1988.

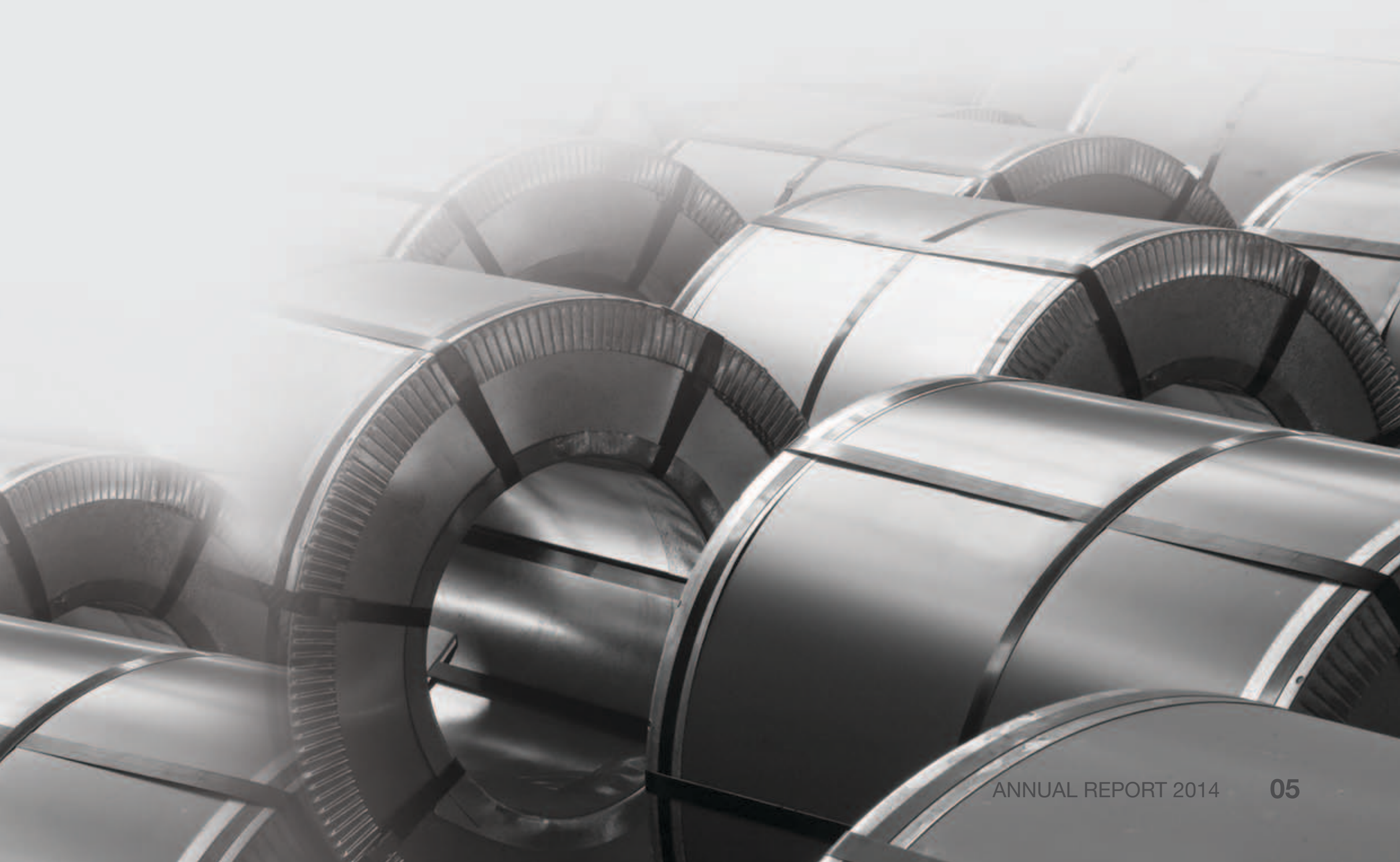
Mr Hee Theng Fong
Mr Hee is an *Independent Director* of the Company and Chairman of Nominating Committee. He is also a member of Audit and Remuneration Committees. He is a practising lawyer with more than 20 years' experience in legal practice. Mr Hee's current appointments include being a Fellow of the Chartered Institute of Arbitrators (UK), Singapore Institute of Arbitrators, an Arbitrator of Singapore International Arbitration Centre, Beijing Arbitration Commission, Huizhou Arbitration Commission and China International Economic and Trade Arbitration Commission. Mr Hee is also a member of the Standing Committee of the Singapore Chinese Chamber of Commerce & Industry, and an independent director of several listed companies. He is regularly invited to speak on Directors' Duties and Corporate Governance in seminars organized by the Singapore Institute of Directors and the Singapore Exchange. Mr Hee holds a LLB (Honours) from the University of Singapore and also a Diploma in PRC Law.

Mr Lai Hock Meng
Mr Lai is an *Independent Director* of the Company and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominating Committees. He is currently Chairman of Singapore based corporate advisory firm HML Consulting Group. Mr Lai is also a director of Champ Buyout III Pte Ltd, a private equity firm. Mr Lai has more than 30 years of experience in both public and private financial sectors, including central banking, investment banking, private banking, stockbroking and venture capital. In addition, he sits on the boards of several listed companies, including China Essence Group Ltd, China Oilfield Technology Services Ltd, CFM Holdings Limited, PureCircle Ltd, CY Foundation Group Limited and ASTI Holdings Ltd. Mr Lai has a Bachelor of Arts (Honours) and a Masters of Arts from the University of Cambridge in England, majoring in Economics. He is also a Chartered Financial Analyst with the CFA Institute in the USA and a Fellow of the Chartered Institute of Marketing in the United Kingdom.

Mr Yuan Weimin
Mr Yuan was appointed as *Non-Executive Director* on 16 April 2008. He was nominated to the Board by Evraz S.A Group. He is currently a general manager of Shanghai Besteel Imp. & Exp. Co., Ltd. Between 1992 and 1994, he was a sales manager with Mannesmann Demag Shanghai Representative Office. Between 1988 and 1991, he was an Assistant Chief Engineer with Shanghai Metallurgical Industry Authority Bureau. Mr Yuan received a Bachelor of Engineering from the Shanghai Industry University in the PRC.

Mr Wang Tianyi

Mr Wang is an *Independent Director* of the Company and Chairman of Remuneration Committee. He is also a member of Audit and Nominating Committees. He is currently the Executive Vice President of The Chinese Society For Metals. Mr. Wang has more than 40 years' experience in the steel industry. From 1995 to 2008, he was Chairman and Managing Director of Tangshan Iron and Steel Group Co., Ltd, placed in charge of the overall operations of the company. Between 2005 and 2011, Mr Wang was Vice-Chairman with Shougang Jingtang Iron and Steel Co., Ltd. Mr Wang was Vice-Chairman of Hebei Iron and Steel Group Co., Ltd from 2008 to 2011. Mr Wang received a Bachelor of Metallurgical Machinery from the University of Science and Technology of Beijing (formerly known as Beijing Institute of Iron and Steel Engineering).



EXECUTIVE OFFICERS

Ms Lan Jihong

Ms Lan Jihong is the *Chief Financial Officer* of the Company. She joined the Group in 2005 and is responsible for all of its financial and accounting matters. Prior to that, Ms Lan was a Finance Manager of BHA Aero Composite Parts Co., Ltd (China) between March 2003 and June 2005. From September 1999 to March 2003, Ms Lan was a Financial Controller of Magnequench (Tianjin) Co., Ltd (China). Between August 1996 and September 1999, she was an assistant Finance Manager with Fourth Shift Asia Computer Co., Ltd (China). From August 1991 to March 1996, Ms Lan was an Accountant at Tianjin Automobile Corporation Co., Ltd (China). She received a Bachelor of Accountancy from the Tianjin Finance & Economic University, PRC.

Ms Yeo Lee Luang

Ms Yeo Lee Luang is the *Accounts Manager and Compliance Officer* of the Company. She assists the Chief Financial Officer in the Group's finance and accounting functions, as well as ensures the Company's compliance with continuing listing obligations. Ms Yeo has been with the Company since April 2000. She holds a Bachelor in Commerce majoring in Accountancy from the University of Otago, New Zealand, and is a member of the Institute of Singapore Chartered Accountants and Institute of New Zealand Chartered Accountants.

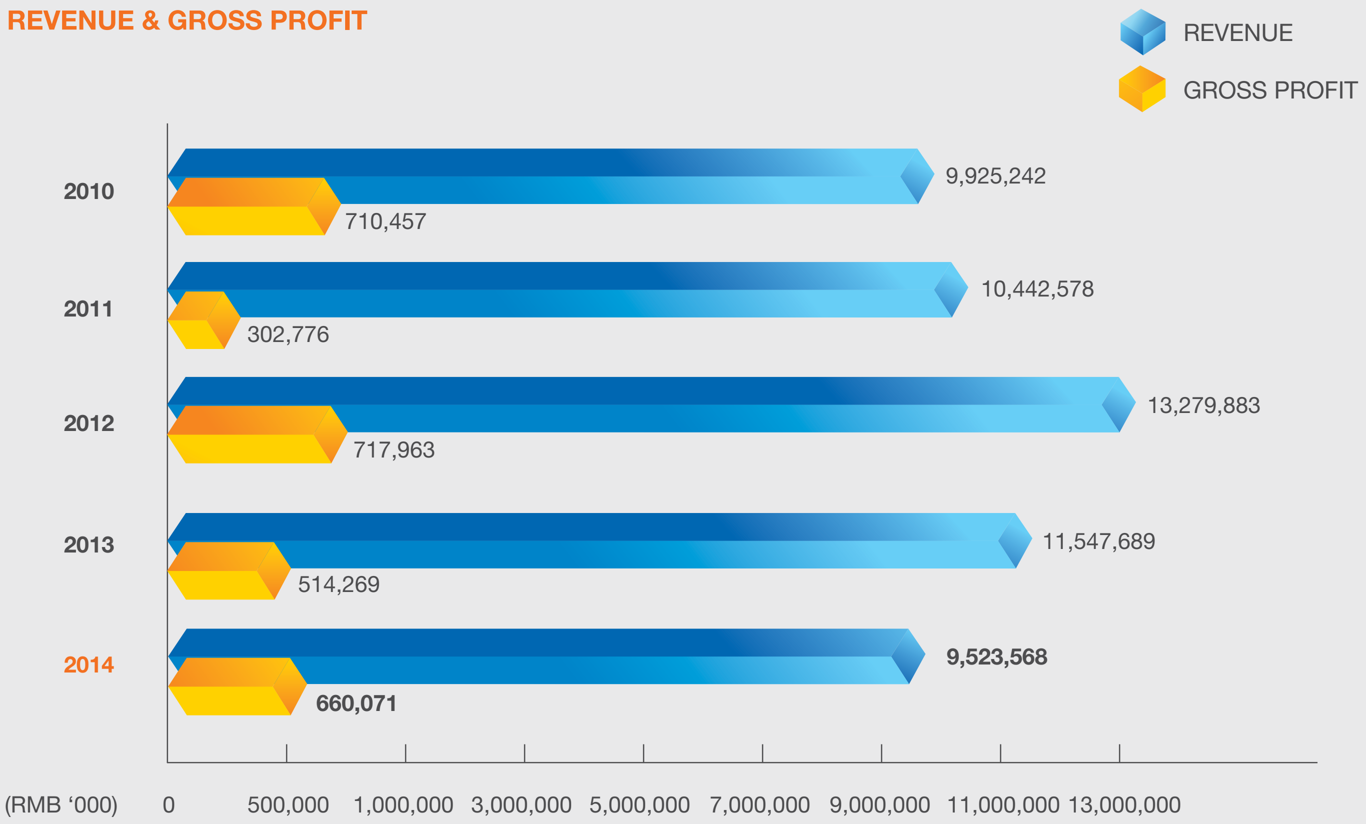
Mr Guo Sanxiang

Mr Guo Sanxiang is the *General Manager* of Laiyuan county Aoyu Steel Co., Ltd ("Aoyu Steel") and is responsible for overseeing the operations of Aoyu Steel. From 2005-2009, Mr Guo was Executive Director of the Company. Between 2003-2004, Mr Guo was General Manager of Xingtai Delong Iron & Steel Co., Ltd. Between 1998 and 2002, he was Deputy General Manager and Head of a steel rolling factory with Tangshan Lefeng Steel Company. Between 1984 and 1998, Mr Guo was Vice-Head and Chief Engineer with the Tangshan Rolled Steel Factory. Mr Guo holds a Bachelor degree in Metal Pressure Processing from the Hebei Mining and Metallurgy College in the PRC.

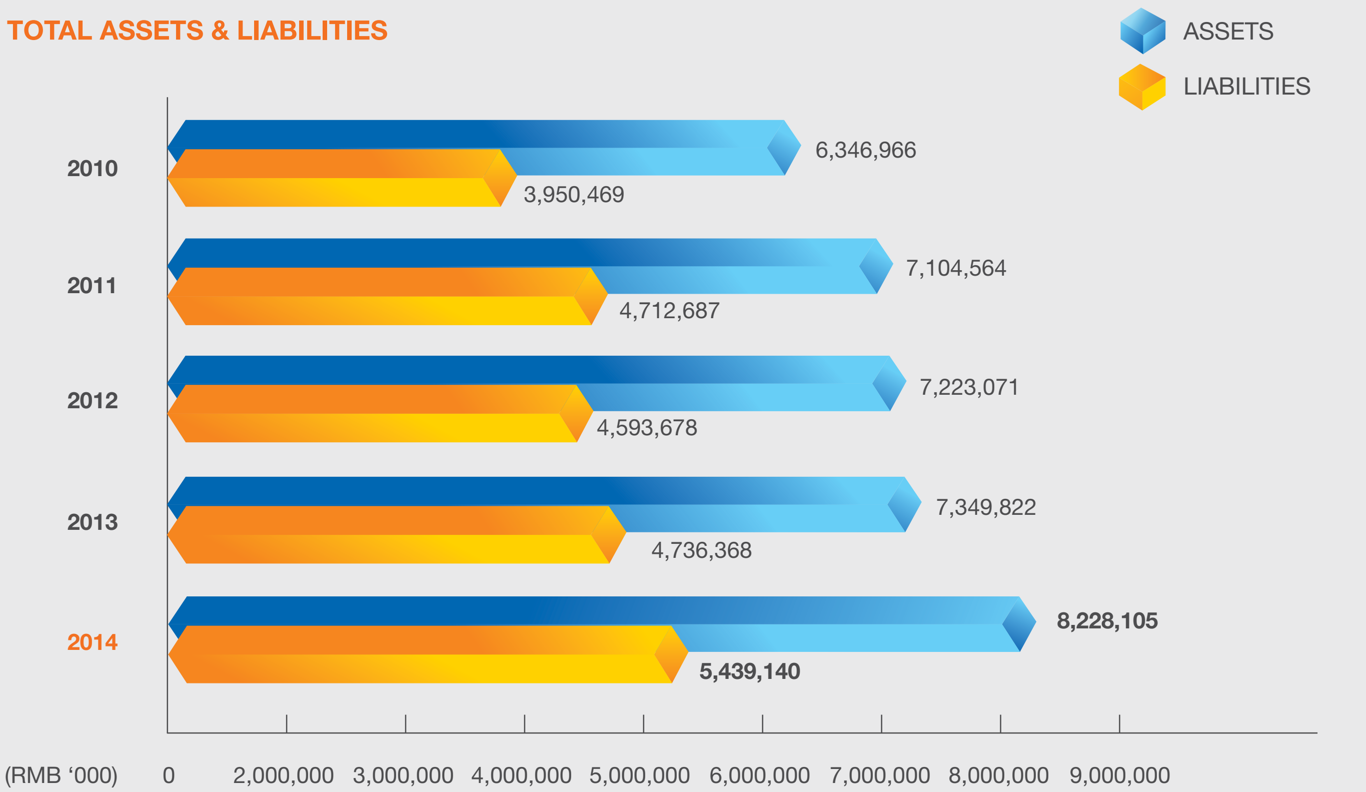
Mr Wu Yujie

Mr Wu Yujie is the *General Manager* of Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong") and is responsible for overseeing the operations of Xingtai Delong. Between 2007-2011, Mr Wu was General Manager of Tangshan Hengan Enterprises Co., Ltd. Between 2004-2006, Mr Wu was administration manager of Delong Steel Limited. Prior to that, Mr Wu was a deputy general manager in charge of administration with Xingtai Delong Iron & steel Co., Ltd from 2000 to 2004 and the head of the finance department of Tangshan Liguo Enterprises Group Co., Ltd from 1998 to 2000. Mr Wu holds a diploma in economic management from the Hebei Economic Management College, PRC.

REVENUE & GROSS PROFIT

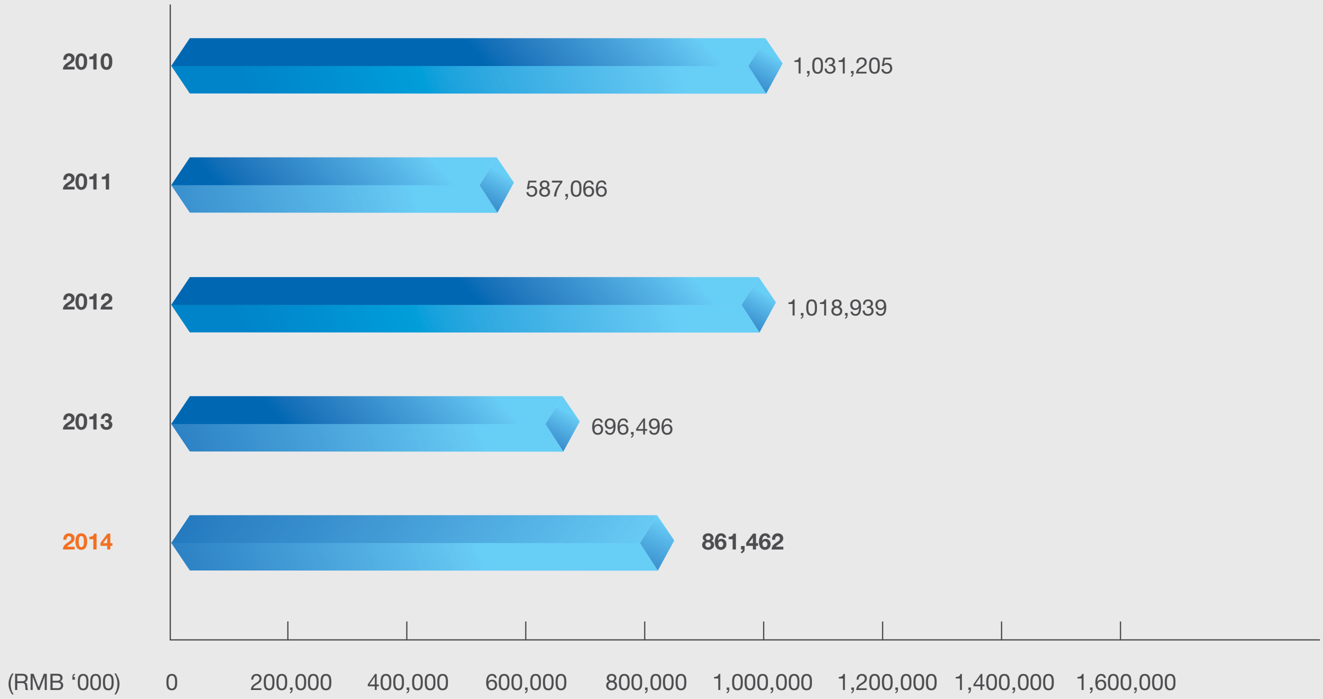


TOTAL ASSETS & LIABILITIES

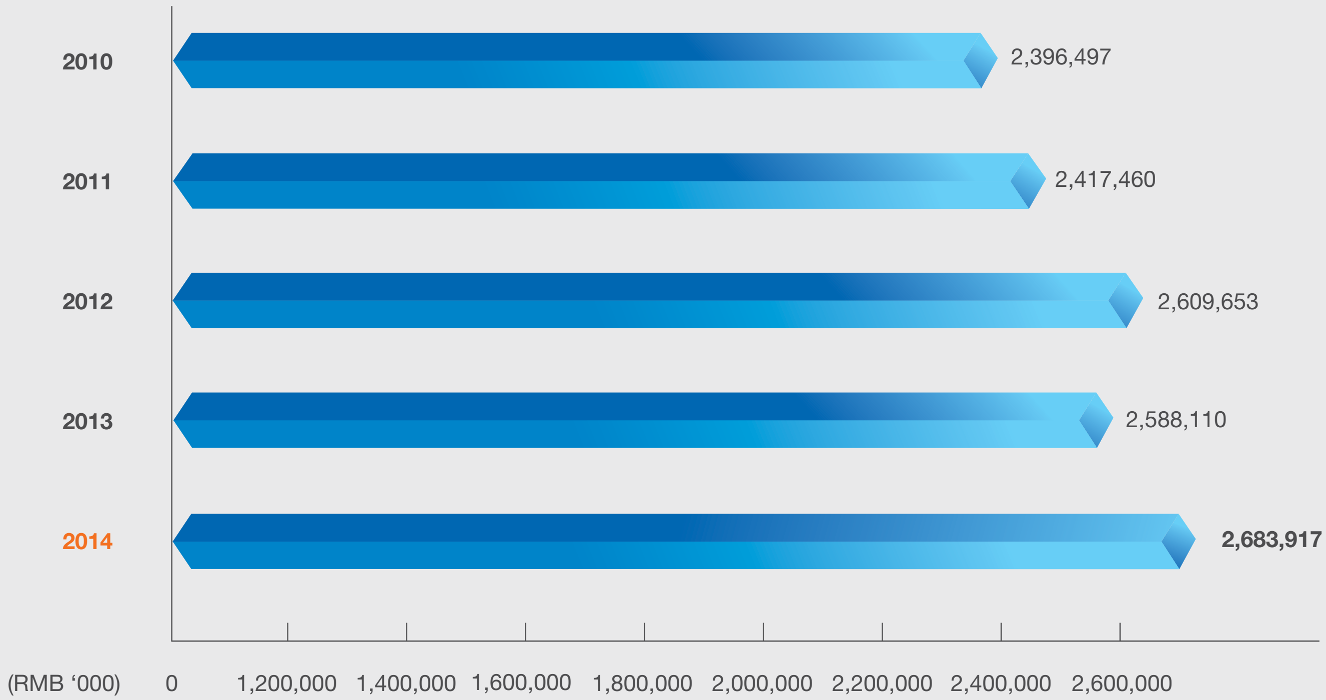


FINANCIAL HIGHLIGHTS

EBITDA



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY



Group's 5-Year Financial Highlights

RMB' 000	FY2014	FY2013	FY2012	FY2011	FY2010
Revenue	**9,523,568**	11,547,689	13,279,883	10,442,578	9,925,242
Cost of Sales	**8,863,497**	(11,033,420)	(12,561,920)	(10,139,802)	(9,214,785)
Gross Profit	**660,071**	514,269	717,963	302,776	710,457
Net Profit / (Loss) After Tax and Non-controlling Interest	**100,888**	(27,067)	204,776	(12,072)	326,554
EBITDA	**861,462**	696,496	1,018,939	587,066	1,031,205
Total Assets	**8,228,105**	7,349,822	7,223,071	7,104,564	6,346,966
Total Equity Attributable to Owners of the Company	**2,683,917**	2,588,110	2,609,653	2,417,460	2,396,497
Total Cash and Cash Equivalents	**935,621**	373,706	642,894	1,016,569	509,728

FINANCIAL RATIOS	FY2014	FY2013	FY2012	FY2011	FY2010
Gross Profit Margin	**6.9%**	4.5%	5.4%	2.7%	7.2%
Net Profit Margin	**1.1%**	-	1.5%	-	3.3%
Basic Earnings / (Loss) Per Share (RMB)	**0.18**	(0.05)	0.37	(0.02)	0.60
Net Tangible Assets Per Share (RMB)	**4.87**	4.67	4.69	4.37	4.36
Gearing (times)	**1.41**	1.17	1.01	1.36	0.62
Return on Assets	**1.2%**	-	2.8%	-	5.2%
Return on Equity	**3.8%**	-	7.9%	-	13.6%

Notes

1. Earnings / (loss) Per Share is defined as net profit / (loss) after tax and non-controlling interest divided by weighted average number of shares in issue.
2. Net Tangible Assets Per Share is defined as total equity attributable to owners of the Company divided by total number of shares in issue.
3. Gearing is defined as total borrowings (including convertible bonds and convertible shares) divided by total equity attributable to owners of the Company.
4. Return on Assets is defined as net profit after tax and non-controlling interest divided by total assets.
5. Return on Equity is defined as net profit after tax and non-controlling interest divided by total equity attributable to owners of the Company.

CORPORATE STRUCTURE

Legal Representative

(1) Mr Ding Liguo

(2) Ms Lan Jihong

(3) Mr Wu Yujie

Delong Holdings Limited is principally engaged in the manufacture and sale of hot-rolled steel coils, with the People's Republic of China as its principal market.

Asia Paragon International Limited ("Asia Paragon")
Asia Paragon is an investment holding company.

Delong Steel Limited ("Delong Steel")
Located 5km off Xingtai City in Hebei province, the People's Republic of China ("PRC"), Delong Steel is an important private enterprise in the province, employing a sizeable workforce of 4,340 and contributing significantly to the local economy. A member of the China Iron & Steel Association, Delong Steel is principally engaged in the manufacture and sale of hot-rolled coils ("HRC").

Sitting on a land area of over 900,000 square meters and ISO9001:2000-certified, the plant is outfitted with advanced steelmaking equipment, including multi-layered low-temperature sintering equipment, fully automated Programmable Logic Controller (PLC) production systems and ultrasonic cleaning technology. Over the years, the company has continually invested to upgrade its facilities and improve its annual production capacity through a technological enhancement programme. Today, it boasts a fully-integrated steel plant capable of handling production from raw material processing through final product packaging.

Delong Steel's key products are HRC ranging from 350 to 1,250 mm in width and 1.4 to 25.0 mm in thickness. The products, which can be customized to clients' specifications, are mainly used for the infrastructure, pipe-making and machinery industries. As at 31 December 2014, the total HRC production from the two lines stood at 2.2 million tonnes a year.

The majority of Delong Steel's clients are located in the PRC, within a 500-kilometre radius of its plant, and the Company has benefited greatly from the rapid economic development in the northern and northeastern regions of China.

Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel")
Located in Fengle Village, Laiyuan Town, Laiyuan County, Hebei province, the People's Republic of China ("PRC"), Aoyu Steel is principally engaged in the manufacture and sale of pig iron, steel billets and trading of steel materials. Aoyu Steel has a staff strength of 2,171 employees and an annual manufacturing production capacity of 1.2 million tonnes. The main customers of Aoyu Steel are located in the Tianjin and Hebei area.

Dexin Steel Pte Ltd ("Dexin Steel")
Operationally located in Singapore, Dexin Steel is an investment holding company and iron ore trading and procurement center.

Dezhong International Financial Leasing Co., Ltd ("Dezhong Leasing")
Operationally located in the PRC, the principal activity of Dezhong Leasing is in the business of purchasing equipment and leasing such equipment to the Group subsidiaries for use in the operations or to other third parties.

Xingtai Xinlong Coal-Gas Limited ("Xingtai Xinlong")
Operationally located in the PRC, the principal activity of Xingtai Xinlong is in coal gas recycling.

Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll")
Operationally located in the PRC, the principal activities of Xingtai Delong Mill Roll are in the design, development, manufacture and sale of large diameter steel mill rollers and large cast steel articles.

CORPORATE PROFILE

Tianjin Qiruicheng International Trading Co., Ltd ("Tianjin Qiruicheng")
Operationally located in the PRC, the principal activities of Tianjin Qiruicheng are in the trading of steel and steel related products and investment in resource-related projects.

Dexin Holdings Pte Ltd ("Dexin Holdings")
Operationally located in Singapore, Dexin Holdings is an investment holding company.

Delong Steel Singapore Projects Pte Ltd ("Delong Steel Singapore")
Operationally located in Singapore, Delong Steel Singapore is an investment holding company.

Delong (Thailand) Co., Ltd ("Delong Thailand")
Operationally located in Thailand, Delong Thailand will be engaged in the manufacturing and sale of hot-rolled narrow strip steel products.

Beijing Longyuan Weide Energy Technology Co., Ltd ("Longyuan Weide")
Operationally located in the PRC, Longyuan Weide is engaged in the technology development, technology services, technology advisory and investments.

Baoding Delong Technology Enterprise Co., Ltd ("Baoding Delong")
Operationally located in the PRC, Baoding Delong is principally engaged in the manufacture and sale of hot-rolled coils.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Ding Liguo
Executive Chairman
First appointed: 8 March 2005
(re-appointed on 30 April 2013)

Zuo Shuowen
Executive Director
First appointed: 1 January 2010
(re-appointed on 28 April 2014)

Yuan Weimin
Non-Executive Director
First appointed: 16 April 2008
(re-appointed on 28 April 2014)

Hee Theng Fong
Independent Director
First appointed: 1 June 2006
(re-appointed on 30 April 2013)

Lai Hock Meng
Independent Director
First appointed: 15 June 2007
(re-appointed on 30 April 2012)

Wang Tianyi
Independent Director
First appointed on 15 August 2013
(re-appointed on 28 April 2014)

AUDIT COMMITTEE
Lai Hock Meng
(Chairman)
Hee Theng Fong
Wang Tianyi

NOMINATING COMMITTEE
Hee Theng Fong
(Chairman)
Lai Hock Meng
Wang Tianyi

REMUNERATION COMMITTEE
Wang Tianyi
(Chairman)
Hee Theng Fong
Lai Hock Meng

COMPANY SECRETARY
Yeo Lee Luang
Chartered Accountant

SHARE REGISTRAR
B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758
Tel: (65) 65934848

REGISTERED OFFICE
55 Market Street
Level 10
Singapore 048941
Tel: (65) 65212964
Fax: (65) 65357505
Website: www.dlholdings.com
Investor Relations Website: delong.listedcompany.com

COMPANY REGISTRATION NUMBER
199705215G

AUDITOR
Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Tel: (65) 62248288

Partner-in-charge: Mr. Yang Chi Chih
(Appointed since 2012)

PRINCIPAL BANKERS
Agricultural Bank of China
China Huaxia Bank
China Construction Bank
Bank of China
China Minseng Bank
DBS Singapore

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Delong Holdings Limited are committed to a high standard of corporate governance and transparency and to the protection of shareholders' interest. The Company's corporate governance policies and processes are in line with the revised Code of Corporate Governance (the "Code") released by the Council on Corporate Disclosure and Governance in May 2012.

This report describes the Company's corporate governance policies and processes for the financial year ended 31 December 2014 with specific reference to specific guideline in the Code.

(A) BOARD MATTERS

The Board's Conduct on Affairs

Board, Composition and Guidance

The Board of Directors (the "Board") comprises two Executive Directors, one Non-Executive Director and three Independent Directors. The particulars of the directors are set out on pages 4 and 5. The directors are not related to one another.

The Board believes that its primary role is to protect and enhance long-term shareholder value. To this end, it sets the overall strategy for the Company and its subsidiaries (collectively, the "Group") and oversees management. To fulfill this objective also, the Board takes responsibility for implementing and maintaining sound corporate governance practices for the Group. The Board provides leadership, sets strategic direction, establishes risk policies and procedures and requires goals from management as well as monitors the achievement of those goals.

Guideline 1.3
To assist in the execution of its responsibilities, the Board has established the following committees, namely an Audit Committee, a Nominating Committee and a Remuneration Committee. These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures. The Board and the Committees meet regularly and, if necessary, on an ad hoc basis.

Guideline 1.4
To facilitate the ease, frequency and speed of Board meetings, the Company's Articles of Association allow Board members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference.

Guideline 1.5
The Board regularly reviews all matters within its purview including but not limited to business strategies, development plans and the performance of the Group. Reviews are also made of the annual budget, announcement of financial results, annual reports and any acquisition or disposal of material assets. There are internal guidelines on matters that require the Board's approval, such as changes in the Company's constitution and structure, material capital commitments etc. These guidelines were approved by the Board.

Continuing Education

Guideline 1.6
The Board recognizes the importance of appropriate orientation training and continuing education for its Directors. Newly appointed Directors are fully briefed as to the business activities of the Group and its strategic directions. Newly appointed Directors receive a formal letter explaining their statutory duties and responsibilities as a director.

The Directors also updated in a timely manner on regulatory changes which have a bearing on the Company and the Directors' obligations towards the Company.

With effect from 1 January 2013, all Directors are encouraged to obtain at least 3 hours continuing education each financial year by way of seminars, courses and other programs relating to the discharge of their duties as directors. The Company is prepared to undertake funding for such continuing education.

Attendances and number of meetings

Guideline 1.4
The following table shows the number of meetings held and Directors' attendances since the date of the previous Report of the Directors:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	6	4	1	1
	Number of Meetings Attended			
Directors:				
Ding Liguo	6	4*	NA	NA
Bai Baohua^^	1	1	NA	NA
Zuo Shuowen	6	4*	NA	NA
Hee Theng Fong	6	4	1	1
Lai Hock Meng	6	4	1	1
Yuan Weimin	6	4*	NA	NA
Wang Tianyi	5	3	1	1

NA - not applicable as the director is not a member of the Committee
** - Attendance by invitation to the Committee*
^^ - Resigned on 1 July 2014

Chairman and Chief Executive Officer

Guideline 3.1
Mr. Ding Liguo is both the Chairman and the Chief Executive Officer of the Company.

As Chairman, Mr. Ding Liguo's major responsibilities are:

- to ensure that Board meetings are held when necessary to enable the Board to perform its duties and facilitates the Company's operations;
- to set meeting agendas in consultation with the secretary and the Executive Director;
- to review all Board papers;
- to provide adequate, timely and relevant materials and Board papers to the Board members to help to ensure the quality, quantity and timeliness of the flow of information between the management and the Board; and
- to assist in ensuring compliance with the Company's guidelines on corporate governance.

Being the Chief Executive Officer, Mr Ding has overall responsibility for the management and daily operation of the Group, and is supported by the Executive Director and executive officers. Mr Ding and the Executive Director and executive officers are not related to one another.

The Board has not adopted the recommendation of the Code for a separation of the offices of the Chairman and Chief Executive Officer. The Board is of the view that there are already sufficient strong and independent elements on the Board to enable independent exercise of objective judgment on affairs and operations of the Group by members of the Board, taking into account factors such as the number of Independent and Non-Executive Directors on the Board, the appointment of a Lead Independent Director as well as the contributions made by each member at Board meetings.

All the Remuneration, Nominating and Audit Committees comprise of only Independent Director.

In view of the above, the Board is of the opinion that the role of Mr Ding as Chairman and Chief Executive Officer of the Company concurrently does not affect the independence of the Board.

Lead Independent Director

Mr Lai Hock Meng, upon the recommendation of the Nominating Committee, was elected and appointed by the Board as the Lead Independent Director.

The major duties and responsibilities of the Lead Independent Director are:

- to meet with shareholders if they have concerns which have not been resolved by the Chairman, Chief Executive Officer or Chief Financial Officer through the normal channels or for where such contact is inappropriate;

- to lead the Independent and Non-Executive Directors in providing and facilitating a non-executive perspective and contributing a balance of viewpoints on the Board in particular, acting as principal liaison between the Independent and Non-Executive Directors and the Chairman on sensitive issues;

- to coordinate the activities of Independent and Non-Executive Directors and the schedule of meetings of the Independent and Non-Executive Directors and chair such meetings without the presence of the Executive Director, if necessary;

- to prepare minutes of any such meetings of the Independent and Non-Executive Directors, share the minutes with the full Board not later than at the next meeting of the Board and deliver the minutes to the company;

- to promote high standards of corporate governance; and

- to undertake such further responsibilities as may be determined by the Board from time to time.

Board Membership and Performance

Guideline 4.1
The Nominating Committee ("NC") has three members, all of whom are Independent Directors. The members are:

Chairman	:	Hee Theng Fong
Member	:	Lai Hock Meng
Member	:	Wang Tianyi

The NC makes recommendations to the Board on all board appointments and re-appointments. The NC aids the Board in obtaining an appropriate mix of relevant knowledge and experience among Board appointees.

Guideline 4.6
The NC's process for identifying and selecting candidates for the Board (whether in the event of a vacancy or to add to the Board) has been and continues as follows. The Board sets a selection criteria based on the desired complementary skill set i.e. managerial, financial, legal etc expertise and experience in a similar or related industry. The NC shall have recourse to both internal sources as well as external sources to draw up a list of potential candidates. Interviews shall be conducted by the NC and shortlisted candidates are recommended to the Board for consideration.

Guideline 5.1
The NC is charged with carrying out an annual Board Appraisal. Briefly, the process followed is for each Board Member to complete an evaluation form within a stipulated period. The completed form is returned by each member to the Chairman of the NC who compiles a consolidated report after discussion with the NC members. The NC's report and any recommendations are then tabled for discussion by the whole Board. The Board takes this evaluation process seriously. The evaluation form and process have been designed to obtain constructive feedback and initiate dialogue among Board Members with a view to enhancing shareholder value, the effectiveness of the Board as a whole and the discharge of each Member's duties. The evaluation tracks and reviews quantitative as well as qualitative indicators to measure the Board's performance. The contribution of each Director to the effectiveness of the Board is tracked via their attendance at Board and Committee meetings.

Guideline 4.2
The NC's written terms of reference, which describe its major responsibilities are:

- to make recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's Annual General Meeting ("AGM"), having regard to the Directors' contribution and performance;

- to determine annually whether or not a Director is independent;

- to determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company; and

- to ensure that disclosure of key information relating to Directors is in the Annual Reports as required by the Code of Corporate Governance.

Guideline 4.4
The NC also reviewed and was satisfied that any director who has multiple Board representation is able to and has been adequately carrying out effectively the duties as a Director. All Directors are required to declare their other Board representations. On 1 January 2013, the Board resolved to limit each director with a full time job and without a full time job to holding not more than 6 and 10 directorships respectively, in listed companies including the Company.

Policy on the independence of Independent Directors

The Company is committed to have a strong independent element on the Board and has adopted a policy and established a process to obtain and maintain the requisite degree of independent representation for good and sound governance. As prescribed by the policy, the process:-

- Establishes the methodology the Board shall use to assess the independence of each independent Director bearing in mind the definition of independence in the Code;

- Identifies the information that shall be collected from each independent Director to make the assessment of independence; and

- Fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an Independent Director.

The process requires the NC to make a formal assessment and report to the Board their findings as to whether the Independent Directors are independent of management and independent in character and judgment and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgment by the Independent Directors or the Independent Directors' ability to fulfill their mandate and duties. The Board's rigorous review of the process is an important element in this process as the NC itself comprises only independent directors. The key features of the process are briefly set out below.

On an annual basis, the NC shall require each Independent Director to complete, confirm and sign a Declaration of Independence, the content and form of which has been approved.

Each declaration shall be reviewed by the other members of the NC. This forms the basis of the assessment. All relevant facts and circumstances shall be considered in making the assessment. Generally (but without limiting the scope of the factors which may be taken into account), in accordance with best practices, independence is, prima facie, established if the criteria set out below is met.

A Director is independent if he or she:

- Is not an executive Director of the Company or any of its related corporations and have not been employed by the Company or any of its related corporations in the current or any of the past three financial years;

- does not have an immediate family member, who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations as a senior executive officer whose remuneration is determined by the RC;

- does not accept any significant compensation from the Company or any of its related corporation for the provision of services, for the current or immediate past financial year, other than compensation for board service;

- is not a shareholder of or a partner in (with 10% or more stake), or an executive director of, or a director of any organisation to which the Company or any of its subsidiaries made or from which the Company or any of its subsidiaries received, significant payments or materials services (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

- does not have a relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company and in carrying out my functions as an independent director and a member of any Board committee(s);

- is not directly associated with, a 10% shareholder of the Company in the current or immediate past financial year; and

- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the independent Director's ability to act in the best interests of the Company

Independent Directors are obliged to update the Board with any new information in relation to interests or relationships relevant to independence. The Board shall re-assess independence as and when any new interests or relationships are disclosed or come to light, as well as annually.

Following this process, the NC shall report to the Board, drawing to its attention in particular any failure to meet any of the above criteria and to any other relevant circumstances and the NC shall make recommendations. However, it is the Board's duty and prerogative to determine the sufficiency or otherwise of independence and to determine its composition. In accordance with best practices and the Code, the Board shall provide a justification if an appointee fails to meet any of the criteria above, but the Board still considers the appointee as an independent Director.

The Board shall make the following disclosure to shareholders in the Company's Annual Report with regard to the matter of Independent Directors:

- the status of each of its members, that is whether each is an independent or non-independent director (and any change in status that occurred during the year) and their period of office.

- The justification for designating any member an Independent Director who fails to meet all the criteria stated above or whose status requires an explanation for any reason.

- The policy and criteria mentioned above.

Independent and non-independent Directors standing for re-election will be so identified in the Notice of Annual General Meeting. If the Board's assessment of a Director's independence changes, that change will be disclosed immediately through an announcement on the Singapore Exchange website and the Company's website.

Guideline 2.3 and 4.7
Mr Hee Theng Fong, Mr Lai Hock Meng and Mr Wang Tianyi have satisfied the criteria stipulated in the above policy and the Board is of the view they are in fact independent and non-executive directors. For key information relating to the directors, please refer to the particulars of the Directors as set out on pages 4 and 5. The dates of the first appointment and last re-appointment of each director are provided in the corporate information section on page 13.

The Company's Article of Association requires one-third of our Directors to retire and subject themselves to re-election by shareholders at every AGM. At the forthcoming AGM, Mr. Ding Liguo and Mr. Lai Hock Meng will retire by rotation. Mr. Ding Liguo and Mr. Lai Hock Meng will be standing for election. After taking into account their contribution and performance the NC has recommended to the Board that Mr. Ding Liguo and Mr. Lai Hock Meng be re-nominated for re-appointment at the forthcoming AGM.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters on which he is interested.

Guideline 2.4
The Board notes that Mr Hee Theng Fong has been serving as Independent Director for the ninth year on 1 June 2015. After careful deliberation, the Board (excluding Mr. Hee Theng Fong) is of the view that Mr. Hee's length of service has not compromised his objectivity and commitment and ability to discharge his duties as Independent Director. The Board noted factors demonstrating continued independence such as expressions of frank, divergent and independent views at meetings, the complete absence of any other circumstances that might compromise independence and the absence of any evidence of a lack thereof. The Board is confident that Mr. Hee has the ability to continue exercising strong independent judgment in the discharge of his duties and have requested that his continue for the ensuing year. Mr. Hee has acceded to the Board's request.

Guideline 2.5
The Nominating Committee is responsible for examining the size and composition of the Board and the Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Committes, the Board, in concurrence with the Nominating Committee, considers that a board size of between five to seven members as appropriate.

The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

Guideline 2.6
To assist the Nominating Committee in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a Director Competency Form, providing information of their areas of specialization and expertise. The Nominating Committee, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

DIRECTORSHIPS

Guideline 4.4
The following lists the present and past directorships of our Directors in listed companies other than directorships held in our Company.

Name of director	Present Directorships	Past Directorships (preceding 3 years)
Ding Liguo	NIL	NIL
Zuo Shuowen	NIL	NIL
Hee Theng Fong	Datapulse Technology Limited Tye Soon Limited YHI International Limited First Resources Limited	NIL
Lai Hock Meng	CFM Holdings Limited PureCircle Ltd China Essence Group Ltd China Oilfield Technology Services Group Ltd ASTI Holdings Limited CY Foundation Group Limited	Metax Engineering Corp Limited China Energy Limited
Yuan Weimin	NIL	NIL
Wang Tianyi	China Oriental Group Co Ltd	NIL

ACCESS TO INFORMATION

Guideline 6.1
All directors are from time to time furnished with sufficient information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. They have unrestrictive access to the Company's records and information. They also receive management accounts as and when requested to enable them to exercise oversight over the Group's operational and financial performance.

Guideline 6.2
The agenda for Board meetings is prepared in consultation with the Executive Chairman. Detailed Board papers are prepared for each meeting and are circulated in advance for each meeting. The Board papers include sufficient background explanatory information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings or by external consultants engaged on specific projects.

Guideline 6.3
The Directors have separate and independent access to the Company Secretary. At all times, the Company Secretary will be in attendance at each Board meeting. The Company Secretary ensures that Board Meetings are conducted in accordance with the Memorandum and Articles of Association of the Company and that applicable rules and regulations are complied with. The minutes of all Board committees' meetings are circulated to the Board. When necessary, the Directors can take independent professional advice at the Company's expense.

Guideline 6.4
The appointment and the removal of the Company Secretary is subject to the approval of the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Level and Mix of Remuneration

Guideline 7.1
The Remuneration Committee ("RC") has three members, all of whom are independent Directors. The members are:

Chairman	:	Wang Tianyi
Member	:	Hee Theng Fong
Member	:	Lai Hock Meng

Guideline 7.2
The RC's written terms of reference which describe its major responsibilities, are:

- to make recommendations to the Board on the framework of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind for the Board and key executives and to determine specific remuneration packages for each Executive Director;
- To review all benefits and long term incentive schemes, whether Directors should be eligible for benefits under long-term incentive schemes and compensation/ remuneration packages for the Board and key executives; and
- to review service contracts of the Executive Directors.

Principle 8 and 9
The Company adopts a remuneration package for employees including Executive Directors, which is made up of a fixed and a variable component. The fixed component is the basic salary and the variable component is the performance bonus that is linked to the Group's performance and individual performance.

Guideline 9.1
Service contracts with the executive chairman and executive director are for a fixed appointment period and the notice period in each of the service contracts is three months. There are no onerous clauses or 'golden handshake' provisions in connection with termination.

These service contracts are subject to the review and approval of the Remuneration Committee.

An over-riding principle of our remuneration policy is that no Director is involved in deciding his own remuneration.

Disclosure of Remuneration

Guideline 9.2
The Board supports and is keenly aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director, the CEO and the Group's key management personnel is not in the best interests of the Company and therefore shareholders. Inter alia, the Board took into account the very sensitive nature of the matter, the relative size of our Group, the competitive business environment we operate in and the irrevocable negative impact such disclosure would have on the Group.

The breakdown of the level and mix of remuneration of each Director and the key executives for the year ended 31 December 2014 is as follows:

Remuneration of Directors

Remuneration band & name of Director	Directors' fees	Salary	Bonus	Total
S$750,000 to below S$1,000,000				
Ding Liguo	-	100%	-	100%
Below S$250,000				
Zuo Shuowen	-	70%	30%	100%
Bai Baohua *	100%	-	-	100%
Hee Theng Fong	100%	-	-	100%
Lai Hock Meng	100%	-	-	100%
Yuan Weimin	100%	-	-	100%
Wang Tianyi	100%	-	-	100%

* - *Resigned on 1 July 2014*

Guideline 8.3
The Independent and Non-Executive Directors receive directors' fees in line with the level of contribution, time spent, effort and responsibilities of each Independent and Non-Executive Director. The calculation of director's fees for Independent and Non-Executive Directors is as follows:

- the base director's fee for each Committee Member
- the base director's fee + 8.3% for each Committee Chairperson

The directors' fees are subject to approval by shareholders at the Annual General Meeting.

Guideline 8.4
Having reviewed and considered the variable components of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstaement of financial results, or of misconduct resulting in financial loss.

In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Guideline 9.3
Remuneration of executive officers

Remuneration band & name of executive officer	Salary	Bonus	Allowances/ benefits	Total
S$250,000-S$500,000				
Lan Jihong	91%	9%	-	100%
Below $250,000				
Yeo Lee Luang	86%	14%	-	100%
Guo Sanxiang	100%	-	-	100%
Wu Yujie	94%	6%	-	100%

In aggregate the total remuneration for the Top 4 employees for the year ended 31 December 2014 was approximately RMB4.2 million.

Guideline 9.4
There is no employee with the Company or Group who is an immediate family member of a Director or the CEO during the financial under review.

Guideline 9.5
The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10
The Board adopts and promotes best practices in order to build an excellent business for its shareholders, considering not only its accountability to the shareholders but also the performance of the Group.

The Board is mindful of its obligations to provide timely and full disclosure of material information in compliance with statutory reporting requirements. Thus, the Company ensures that price sensitive information is publicly released, either before the Company meets any group of investors or analysis or simultaneously with such meetings. The Company also announces its quarterly financial results as required by the Code. Financial results and annual reports are announced or issued within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis. Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Audit Committee

Guideline 12.1
The Audit Committee ("AC") comprises three members, all of whom are independent directors.

Chairman	:	Lai Hock Meng
Member	:	Hee Theng Fong
Member	:	Wang Tianyi

All the members have had many years of experience in senior positions in financial, legal and/or commercial sectors. They have sufficient financial expertise and experience to discharge the AC's functions. The Chairman has many years of finance, banking and listed company experience.

The AC's written terms of reference which describe its major responsibilities are:

- to review the scope, approach and results of the audit;
- to review (i) quarterly, half yearly and yearly announcement of financial results and (ii) the consolidated statements of financial position, the consolidated statements of profit or loss, and the external auditor's reports on those financial statements, before submission to the Board for approval.
- to review and discuss with external auditors any suspected fraud or irregularities, or failure of internal controls or rule and regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST listing Manual;
- to review the adequacy and effectiveness of the internal control framework and risk management processes and help ensure adequate measures are in place;
- to review the compliance with the Code of Best Practice on Security Transactions;
- to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual.
- to review the scope of work of the internal auditors;
- to review annually the adequacy and the effectiveness of the internal audit function;
- to oversee the Company 's risk management framework and policies, to determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;
- to review the adequacy and effectiveness of the Company's risk management and internal control system, including financial, operational, compliance and information technology annually, either internally or with the assistance of any competent third parties;
- to review assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Guideline 12.5
The AC meets with the external auditors separately at least once a year without the presence of Executive Directors and senior management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

Guideline 12.6
The AC confirms that there was no non-audit services provided by the Company's auditor during the year. The AC has recommended their re-appointment at the forthcoming AGM.

The AC confirms that it has reviewed and is satisfied that the Company has adequate expertise and resources to discharge its finance and accounting functions to the standards expected of a listed company with business operations in the PRC and Singapore.

Guideline 12.8
It is the Company's practice for our external auditor to present the AC with their audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. It is also the responsibility of the CFO to update the Board on any changes in accounting standards which may have an impact on the financial statements. During the financial year in review, the changes in accounting standards did not have any impact on the Company's financial statements.

Guideline 12.7
The Board has formulated a written and comprehensive Whistle Blowing policy which has been disseminated through the Group and is an integral part of the Company Handbook. The Board believes that this policy will, inter alia, act as a deterrent to malpractice and wrongdoing, encourage openness, promote transparency and underpin the risk management systems of the Group.

The Whistle Blowing Officers are the internal auditors of the Company. Any Whistle Blowing Officer to whom a concern has been raised is obliged to make a report to the Audit Committee of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve appropriate action.

The policy requires that the Whistle Blowing Officer shall consider any concern raised seriously even if made anonymously.

The policy covers all and any improprieties and wrongdoings:

- affecting the financial position of the company;
- relating to the honestly and integrity of the company's dealings;
- relating to the honesty and integrity of any employee or director in the course of his or her employment or dealing with or on behalf of the Company.

A whistle blower can choose to raise a concern by any means convenient including sending a letter or email or by telephone to any Whistle Blowing officer directly. The concern is appropriately and expeditiously dealt with and could be referred to the police or an independent investigator depending on the nature of the disclosure and the outcome of preliminary investigations.

All concerns raised must be referred to the AC in a timely manner.

INTERNAL CONTROLS

Guideline 13.1

The Board recognizes its responsibility in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets. For the financial year under review, the Board is of the view that there is no significant weakness or breakdown in the Group's existing system of internal controls and they provide reasonable, but no absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud and other irregularities.

As part of the annual statutory audit of the financial statements, the independent auditor also reports to the AC and management on material internal control weaknesses which have come to their attention during the course of the statutory audit. The independent auditor carries out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate to the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Guideline 11.3 and Listing Rule 1207 (10)

During the financial year, based on the work performed by the internal and external auditors, and reviews conducted by the Audit Committee, the Board is confident that the Company's framework of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, is adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value. This framework serves to provide reasonable assurance against material misrepresentation or loss.

The Board is of the view, with the concurrence of the AC, that there are adequate internal controls in place to address financial, operational, compliance and information technology controls, and risk management systems during the financial year and up to the date of this report after considering the following:

- work done and reports by the internal and external auditors given during the year;
- the lack of any concern by a whistle blower;
- assurances obtained from the CEO and CFO that

  (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
  (b) regarding the effectiveness of the company's risk management and internal control systems.

INTERNAL AUDIT

Guideline 13.4
The AC is assisted by the Internal Audit Group ("IAG") of Delong Steel in reviewing and testing during the year the proper functioning and adequacy of the Company's internal control system. The Company's IAG is comprised of highly qualified personnel who meet the standards set by recognized professional bodies. The IAG reports directly to the AC on internal audit matters and may request from it the necessary resources to adequately perform its functions. The AC endeavours to ensure that internal audit functions are adequately resourced and given an appropriate standing within the Company.

To ensure the adequacy of the internal audit functions, the AC reviews the IAG's activities on a quarterly basis.

(D) SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHODLERS

CONDUCT OF SHAREHOLDER MEETINGS

Principle 15
Investor Relations Practices and Guideline

The main objectives of the Company's Investor Relations (IR) are to:

- maintain an open and active dialogue with existing and potential shareholders.
- Ensure all investors have equal and adequate access to clear, comprehensive, and relevant information on a timely basis.

Guideline 15.2
The Company's primary communication platforms are its annual report, announcement posted on the SGXNET and Company website. The Company augments its communications via regular analyst/media briefing, one-on-one meetings and conference calls.

The Company announces its financial results via SGXNET.

Guideline 15.4
Regular media and analyst briefings are organized to enable a better appreciation of the Group's performance and developments. The Company holds investor briefings, inviting the media and analyst, after the release of the quarterly and full year financial results.

Our website www.dlholdings.com is updated in a timely manner with the Group's latest announcements. In addition, shareholders can also view our latest financial highlights, financial reports, company presentations, investor factsheet, annual reports and stock quote under our investor portal, www.listedcompany.com/ir/delong. Anyone may subscribe to the Company's announcements by registering for "email alerts" via our website.

Guideline 15.3
To enhance and encourage communication with investors, the Company provides contact details of our Investor Relations Consultants in our annual report and investor portal.

The Company conducts its IR on the following principles:

- Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;
- Discuss only publicly-available and publicly known information during dialogues with investors and analyst, principally following announcement of financial results;
- Maintain a blackout period prior to the planned release of financial statements during which no meetings and presentations will be held with analysts or investors. The blackout period is two weeks for quarterly financial results and one month for the full-year financial results;
- Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;
- Announce the date of release of quarterly financial reports at least a week in advance
- Operate an open policy with regard to investor/email enquiries; and
- Management and IR team are accessible to requests for one-on-one meetings and conference calls with investors and analysts.

Encouraging Greater Shareholder Participation
Annual reports and notices of AGMs are sent to all shareholders. Such notices are also published in the local newspapers and announced via SGXNET. Shareholders are encouraged to attend the Company's AGMs.

Guideline 16.3
At AGMs, the CEO will conduct a presentation on the Company's developments, financial results, outlook and strategy to provide shareholders with updates on the Company's progress. Shareholders also have the opportunity to share with and communicate their views to the Board. The Chairpersons of the Audit, Nominating and Remuneration Committees as well as the external auditors are requested to be present and available to address any queries by shareholders.

Guideline 16.2
The Board takes note that there should be a separate resolution at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

(E) DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Company has adopted Internal Code of Conduct on dealing in the Company's securities. The Code has been modelled along the rules in the listing manual of the SGX-ST in respect of dealing in securities. The Group has procedures in place prohibiting directors and senior executives of the Group from dealing in the Company's shares during the periods commencing two weeks before the announcement of the Company's quarterly results and one month before full year financial results, and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Company. Directors and senior executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Officers and Directors are also prohibited from dealing in the Company's shares on short-term considerations.

The Board of Directors confirms that for the financial year ended 31 December 2014, the Company has complied with the listing rules of the SGX-ST in respect of dealing in securities.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiaries involving the interests of the Group Executive Chairman, each director or controlling shareholder, either director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entering into since the end of previous financial year.

(G) INTERESTED PERSON TRANSACTIONS

The Company has adopted a policy in respect of any transactions with interested persons and requires that all such transactions are at arm's length and reviewed by the AC quarterly.

During the financial year under review, there were no interested person transactions relating to any Director, substantial shareholders and their immediate family members as defined by the SGX Listing Manual (Chapter 9A "Interested Person Transactions").

(H) RISK MANAGEMENT

The practice of risk management is undertaken by the Executive Directors and senior executives of each business division under the purview of the Board.

The Group continues to review on an on-going basis, management succession plans and other employee-related issues in an effort to recruit and retain a skilled and experienced workforce necessary for its business.

The Group recognises the risks associated with changes in laws and regulations and had reviewed its business plans in the light of legal and regulatory changes in the year. The Group will continue to monitor legal and regulatory changes to keep abreast with developments that may have an impact on its business and operations.

The Group's financial risk management is discussed under Note 4 of the Notes to the Financial Statements, on page 70 to 79 of the Annual Report.

The Board is satisfied with the risk management practice and that risks facing the Group had been adequately addressed.

(I) AUDITOR'S REMUNERATION

The following information relates to remuneration of the auditor of the Company during the financial year:

	2014 RMB'000	2013 RMB'000
Fees on audit services paid/payable to:		
-Auditor of the Company	2,512	2,437
Fees on non-audit services paid /payable to		
- Other auditors	287	465

(J) APPOINTMENT OF AUDITORS

The Group has complied with Rule 712 and Rule 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

(K) CORPORATE SOCIAL RESPONSIBILITY

Delong has been actively performing its corporate social responsibility ("CSR") while pursuing the best possible profitability, safeguarding the interests of our shareholders, employees, customers, business partners and the society in general, striving to improve our execution efficiency and quality in virtue of our expertise and competitive superiority and combining the performance of our social responsibility with the enhancement of our competitive edges.

Environmental Protection and Sustainable Development

The Group places much importance on environmental protection, energy-saving and emission-reduction, and has continuously formulated and improved a series of regulatory policies to improve our environmental management, laying a solid foundation for future development.

Over the years, to be in line with the industry's rising environmental standards, the Group has continually invested in technological upgrades and environmental enhancement programmes to reduce emission, improve energy efficiency and waste resource utilisation, which showed that the Group performed its social responsibility.

The Group's energy and environmental indicators such as energy consumption, wastewater emission, dust particle emission and etc, are within the benchmark set by the Ministry of Industry and Information Technology in PRC.

The Group carefully implemented the government's energy saving and environmental protection policies. The Group will make sure the policies of energy saving and environmental protection carried out throughout the process of production by prescribing objectives and positions and responsibilities, as a result of which agreeable results have been achieved both in the improvement of energy-saving and environmental protection technology and scientific management.

Contribution to Society

Delong honors integrity in business operations and lawful and faithful tax paying, which is the philosophy of social responsibility. In 2014, the Group paid RMB78.7 million taxes in total. Meanwhile, the Group is keen to support the local communities through various channels such as educational, cultural, sports and sanitation activities. The Group is dedicated to keeping heart-felt sincerity and passion to contribute to society. In 2014, the Group donated a total amount of approximately RMB3.0 million to various charitable organisations .

(L) STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2014, the Company has generally adhered to the principles and guidelines as set out in the revised Code of Corporate Governance May 2012.

FINANCIAL CONTENTS

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Ding Liguo
Zuo Shuowen
Hee Theng Fong
Lai Hock Meng
Yuan Weimin
Wang Tianyi

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	**At beginning of year**	At end of year
Ordinary shares of the Company				
Ding Liguo	**-**	-	**320,817,502**	320,817,502
Ultimate holding company - Honest Joy International Ltd				
(Ordinary shares of US$1 each)				
Ding Liguo	**700**	700	**300**	300
Immediate holding company - Best Decade Holdings Limited				
(Ordinary shares of US$ 1 each)				
Ding Liguo	**-**	-	**1,000**	1,000

By virtue of Section 7 of the Singapore Companies Act, Mr Ding Liguo is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company as at January 21, 2015 were the same as at December 31, 2014.

4 DIRECTORS' RECEIPT OF AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*
During the financial year, no option to take up unissued shares of the Company was granted.

(b) *Options exercised*
During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*
At the end of the financial year, there were no unissued shares of the Company under options.

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lai Hock Meng, an independent director, and includes Mr Hee Theng Fong and Mr Wang Tianyi, who are all independent directors. The Audit Committee has met four times since the last Directors' report and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plan of the external auditors, their audit report, their management letter and the management's response;

(b) the Group's financial and operating results and accounting policies;

(c) to review the annual financial statements, and quarterly announcements before submission to the Board of Directors for approval;

(d) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

(e) to ensure that the internal audit function is adequately resourced;

(f) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;

(g) to consider and make recommendation on the re-appointment of the external auditors; and;

(h) to review Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

6 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Ding Liguo
Director

....
Zuo Shuowen
Director

March 31, 2015

STATEMENT OF DIRECTORS

For The Financial Year Ended 31 December 2014

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 40 to 107 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....

Ding Liguo

Director

....

Zuo Shuowen

Director

March 31, 2015

INDEPENDENT AUDITOR'S REPORT

To The Members Of Delong Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Delong Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 107.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2015

STATEMENTS OF FINANCIAL POSITION

For The Financial Year Ended 31 December 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**935,621**	373,706	**19,185**	33,913
Bank balances pledged	7	**1,322,112**	623,308	**-**	-
Financial assets at fair value through profit or loss	8	**-**	393	**-**	393
Held-to-maturity financial assets	9	**300,000**	300,000	**-**	-
Trade and other receivables	10	**642,232**	857,118	**220,797**	10
Inventories	12	**655,885**	869,308	**-**	-
Other assets	13	**601,105**	750,417	**704**	292
Total current assets		**4,456,955**	3,774,250	**240,686**	34,608
Non-current assets					
Bank balances pledged	7	**206,000**	200,000	**-**	-
Trade and other receivables	10	**29,736**	27,382	**-**	229,666
Other assets	13	**34,513**	259,914	**-**	-
Available-for-sale financial assets	14	**266,941**	214,735	**-**	-
Investments in subsidiaries	15	**-**	-	**1,984,916**	1,984,916
Investment in an associate	16	**4,577**	-	**-**	-
Property, plant and equipment	17	**3,213,779**	2,841,017	**64**	81
Intangible assets	18	**12,960**	18,720	**-**	-
Deferred tax assets	19	**2,644**	13,804	**-**	-
Total non-current assets		**3,771,150**	3,575,572	**1,984,980**	2,214,663
Total assets		**8,228,105**	7,349,822	**2,225,666**	2,249,271
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	20	**1,502,295**	1,562,339	**4,861**	5,242
Borrowings and notes payables	21	**3,164,771**	2,149,689	**13**	11
Convertible shares	22	**-**	10,216	**-**	10,216
Purchase consideration payable	24	**113,514**	115,729	**-**	-
Total current liabilities		**4,780,580**	3,837,973	**4,874**	15,469

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

For The Financial Year Ended 31 December 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
LIABILITIES AND EQUITY					
Non-current liabilities					
Borrowings	21	**632,563**	863,789	**14**	28
Deferred tax liabilities	19	**25,997**	34,606	**-**	-
Total non-current liabilities		**658,560**	898,395	**14**	28
Total liabilities		**5,439,140**	4,736,368	**4,888**	15,497
Net Assets		**2,788,965**	2,613,454	**2,220,778**	2,233,774
EQUITY					
Capital reserves and non-controlling interests					
Share capital	23	**406,644**	405,147	**2,112,480**	2,110,983
Capital reserve	25	**249,218**	253,324	**249,218**	253,324
Statutory reserve	25	**141,072**	141,072	**-**	-
Currency translation reserve		**6,101**	6,587	**-**	-
Fair value reserve	25	**(10,855)**	(8,869)	**-**	-
Retained earnings		**1,891,737**	1,790,849	**(140,920)**	(130,533)
Equity attributable to owners of the Company		**2,683,917**	2,588,110	**2,220,778**	2,233,774
Non-controlling interests		**195,433**	115,729	**-**	-
Capital reserve	25	**(90,385)**	(90,385)	**-**	-
Total equity		**2,788,965**	2,613,454	**2,220,778**	2,233,774

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Revenue	26	**9,523,568**	11,547,689
Cost of sales	29	**(8,863,497)**	(11,033,420)
Gross profit		**660,071**	514,269
Other income	27	**95,034**	82,239
Other gains (losses) – net	28	**3,242**	(62,993)
Distribution and marketing costs	29	**(55,756)**	(12,660)
Administrative expenses	29	**(302,621)**	(312,050)
Finance costs	30	**(228,932)**	(194,218)
Share of loss of an associate		**(323)**	-
Profit before tax	32	**170,715**	14,587
Income tax expenses	31	**(75,853)**	(36,050)
Profit (loss) for the year		**94,862**	(21,463)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(486)**	10,287
Fair value change on available-for-sale financial assets	14	**(1,986)**	(8,869)
Other comprehensive (loss) income for the year, net of tax		**(2,472)**	1,418
Total comprehensive income (loss) for the year		**92,390**	(20,045)
Profit (Loss) attributable to:			
Owners of the Company		**100,888**	(27,067)
Non-controlling interests		**(6,026)**	5,604
		94,862	(21,463)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**98,416**	(25,649)
Non-controlling interests		**(6,026)**	5,604
		92,390	(20,045)
Earnings (Losses) per share			
(expressed in RMB per share)	33		
- Basic		**0.18**	(0.05)
- Diluted		**0.18**	(0.05)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2014

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Capital reserve RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group										
Balance as at January 1, 2013	405,147	249,218	-	(3,700)	141,072	1,817,916	2,609,653	(90,385)	110,125	2,629,393
Total comprehensive loss for the year:										
Loss for the year	-	-	-	-	-	(27,067)	(27,067)	-	5,604	(21,463)
Other comprehensive income	-	-	(8,869)	10,287	-	-	1,418	-	-	1,418
Total	-	-	(8,869)	10,287	-	(27,067)	(25,649)	-	5,604	(20,045)
Transaction with owners, recognised directly in equity:										
Recognition of expiration of put option with respect to convertible shares (Note 22)	-	4,106	-	-	-	-	4,106	-	-	4,106
Total	-	4,106	-	-	-	-	4,106	-	-	4,106
Balance as at December 31, 2013	405,147	253,324	(8,869)	6,587	141,072	1,790,849	2,588,110	(90,385)	115,729	2,613,454
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	100,888	100,888	-	(6,026)	94,862
Other comprehensive loss	-	-	(1,986)	(486)	-	-	(2,472)	-	-	(2,472)
Total	-	-	(1,986)	(486)	-	100,888	98,416	-	(6,026)	92,390
Transaction with owners, recognised directly in equity:										
Issue of shares pursuant to exercise of convertible shares	1,497	(4,106)	-	-	-	-	(2,609)	-	-	(2,609)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	85,730	85,730
Total	1,497	(4,106)	-	-	-	-	(2,609)	-	85,730	83,121
Balance as at December 31, 2014	406,644	249,218	(10,855)	6,101	141,072	1,891,737	2,683,917	(90,385)	195,433	2,788,965

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2014

	Share capital RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Company				
Balance at January 1, 2013	2,110,983	249,218	(107,113)	2,253,088
Transaction with owners, recognised directly in equity:				
Recognition of expiration of put option in respect of convertible shares	-	4,106	-	4,106
Loss for the year, representing total comprehensive loss for the year	-	-	(23,420)	(23,420)
Balance at December 31, 2013	2,110,983	253,324	(130,533)	2,233,774
Transaction with owners, recognised directly in equity:				
Issue of share pursuant to exercise of convertible shares	1,497	(4,106)	-	(2,609)
Loss for the year, representing total comprehensive loss for the year	-	-	(10,387)	(10,387)
Balance at December 31, 2014	2,112,480	249,218	(140,920)	2,220,778

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Operating activities			
Profit (Loss) for the year		**94,862**	(21,463)
Adjustments for:			
Income tax expenses	31	**75,853**	36,050
Depreciation	17	**456,055**	481,931
Amortisation of intangible assets	18	**5,760**	5,760
(Reversal) Impairment charge for property, plant and equipment	17	**(38,273)**	66,872
Allowance (Reversal) for inventories - net	12	**10,652**	(21,132)
Gain on early redemption of convertible shares	28	**-**	(7,177)
Loss on disposal of property, plant and equipment		**31,876**	10,041
Gain on disposal of financial assets, fair value through profit or loss	28	**(15)**	-
Fair value (gain) loss on financial assets, fair value through profit or loss	28	**(23)**	137
Fair value loss on convertible shares	22	**314**	3,592
Fair value changes on purchase consideration payable	28	**(2,215)**	5,604
Share of loss of an associate		**323**	-
Currency realignment difference on convertible shares	22	**84**	(3,640)
(Reversal) Allowance for doubtful debts	10, 13	**(22)**	33,027
Interest income	27	**(85,218)**	(61,573)
Interest expenses	30	**228,932**	194,218
Unrealised exchange differences		**1,044**	14,421
Operating cash flow before movements in working capital		**779,989**	736,668
Bank balances pledged		**(704,804)**	(515,831)
Receivables		**375,968**	225,577
Inventories		**202,771**	(89,514)
Payables (Note A)		**1,298,166**	(130,901)
Cash generated from operations		**1,952,090**	225,999
Income taxes paid		**(78,725)**	(71,027)
Net cash from operating activities		**1,873,365**	154,972

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Investing activities		
Payments for property, plant and equipment (Note A)	**(627,158)**	(315,945)
Proceeds from disposal of financial assets, fair value through profit or loss	**442**	-
Proceeds from disposal of available-for-sale financial assets	**-**	10,000
Proceeds from disposal of property, plant and equipment	**48,661**	78,436
Purchase of held-to-maturity financial assets	**-**	(200,000)
Purchase of available-for-sale financial assets	**(54,192)**	(162,304)
Investment in an associate	**(4,900)**	-
Capital contribution by non-controlling interest	**77,050**	-
Interest received	**85,218**	61,573
Net cash used in investing activities	**(474,879)**	(528,240)
Financing activities		
Proceeds from borrowings from banks and other financial institutions	**2,196,707**	3,935,753
Repayment of borrowings from banks and other financial institutions	**(2,790,301)**	(3,533,076)
Repayment of convertible shares	**(13,687)**	(106,851)
Interest paid	**(228,468)**	(187,521)
Net cash (used in) from financing activities	**(835,749)**	108,305
Net decrease in cash and cash equivalents	**562,737**	(264,963)
Cash and cash equivalents at the beginning of the year	**373,706**	642,894
Effects of currency translation on cash and cash equivalents	**(822)**	(4,225)
Cash and cash equivalents at the end of the year	**935,621**	373,706

Note A:

In 2014, total additions of property, plant and equipment was RMB 871,798,000 (2013: RMB 352,446,000) and an amount of RMB 55,740,000 (2013: RMB 36,501,000) remained unpaid as at end of the reporting period. The group had also prepaid plant and equipment amounting to RMB 34,513,000 (2013: RMB 259,914,000) at the end of the reporting period.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration Number 199705215G) is incorporated in Singapore with its principal place of business and registered office at 55 Market Street, Level 10, Singapore 048941. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Chinese Renminbi.

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 15 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on March 31, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2014, the Group and the Company have adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 *(as revised in 2011) Separate Financial Statements* and FRS 28 *(as revised in 2011) Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 112, FRS 27 and FRS 28 together with the amendments to FRS 110 and FRS 112 regarding the transitional guidance.

Other than FRS 112, the application of the new and revised standards has not had any material impact on the amounts recognised in the consolidated financial statements. FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 15 and 16 for details).

At the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- *New standard FRS 109 Financial Instruments*
- *New standard FRS 115 Revenue from Contracts with Customers*
- *Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative*
- *Amendments to FRS 19 (2011) Defined Benefit Plans: Employee Contributions*
- *Amendments to FRS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.*
- *Improvements to Financial Reporting Standards (January 2014)*
- *Improvements to Financial Reporting Standards (February 2014)*
- *Improvements to Financial Reporting Standards (November 2014)*

Consequential amendments were also made to various standards as a result of these new/revised standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following where management is still assessing the effects:

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods.

In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management is currently assessing the effects of FRS 109 on its financial statements in its initial period of adoption.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

FRS 115 Revenue From Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract (s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management is currently estimating the effects of FRS 115 on its revenue in the period of initial adoption.

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statements of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments – An entity's share of OCT of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will be subsequently be reclassified to profit or loss.

- Notes – Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to FRS 1 on the financial statements of the company in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments FRS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

FRS 27 requires an entity to account for its investments in subsidiaries, joint ventures and associates either at cost or in accordance with FRS 39 (or FRS 109 when effective). The amendments allow an additional option for an entity to account for these investees in its separate financial statements using the equity method as described in FRS 28.

The accounting option must be applied by category of investments.

Management is currently evaluating the potential impact of the application of these amendments to FRS 27 on the financail statements of the company in the period of initial application.

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after July 1, 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 103 Business Combinations	Accounting for contingent consideration in a business combination	Clarified that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-fiancial instrument asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.
FRS 24 Related Party Disclosures	Key Management Personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

Management is currently evaluating the impact of the above improvements to Financial Reporting Standards (January 2014) in the period of initial application.

BASIS OF CONSOLIDATION - Pursuant to the reverse acquisition ("Reserve Acquisition") of the Company by Asia Paragon International Limited ("Asia Paragon") effected on January 1, 2005, the Group's consolidated statements of comprehensive income, consolidated statement of financial position, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2005 and after the business combination have been prepared as continuation of Asia Paragon's financial statements.

Since such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon Group), the assets and liabilities and equity (including issued equity and retained profits) at the date of Acquisition are accounted for as follows:

(I) the assets and liabilities of Asia Paragon Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts; and

(II) the retained profits and equity balances recognised in those consolidated financial statements are the retained profits and equity balances of the Asia Paragon Group immediately before the business combination. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the Company as the legal parent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains (losses) - net' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Subsequent to initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed subsequently.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains (losses) - net' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or when they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Convertible shares

Convertible shares, which are shares convertible into ordinary shares and redeemable at the holder's option on specific dates, are classified as financial liabilities. The embedded conversion option, which is denominated in a currency other than the Company's functional currency, is accounted for as a derivative liability.

The liability component is recognised initially at its fair value, determined using a market interest rate for an equivalent non-convertible borrowing. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the convertible shares.

The derivative liability is recognised initially at its fair value, and subsequently carried at its fair value at the end of each financial period. Gains or losses arising from the change in the fair value of the derivative liability are recognised as "other gains (losses) - net" in profit or loss in the financial period in which the change in fair value arises.

When the conversion option is exercised, the carrying amounts of both the liability component and the derivative liability component are transferred to the share capital account.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Prepaid leases	–	over the terms of leases which are from 21 to 49 years
Leasehold buildings	–	the shorter of 20 years or the lease term
Plant and equipment	–	10 years
Motor vehicles	–	5 years

Prepaid lease pertains to the prepayment of land rental for the total land rental period. Prepaid lease is measured at the total land rental cost less any accumulated impairment loss and is charge to profit or loss on a straight-line basis over their rental period.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

ASSOCIATES - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods and scrap materials

Revenue from the sale of goods and scrap materials is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and social security bureaus in People's Republic of China ("PRC") as described below, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group participates in retirement insurance scheme organised by the social security bureau in the PRC pursuant to the relevant provisions. The subsidiaries in PRC are required to make monthly contribution in respect of the above insurance schemes to the PRC social security bureau based on the monthly salaries of its employees.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Apart from those involving estimations (see below) and the critical judgement used for the Group to continue as a going concern as disclosed in liquidity risk management in Note 4(v) to the financial statements, management is of the view that there are no other critical judgements that have a significant effect on the amounts recognised in the financial statements.

3 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY** (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment review of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating units ("CGU") have been determined based on value-in-use calculations. A wholly-owned subsidiary of the Group, Xingtai Delong Machinery and Mill Roll Co., Ltd ("Mill Roll"), had performed below expectations and incurred net losses for the years ended December 31, 2014 and 2013. Accordingly, management of the company engaged an independent external valuer to perform a valuation of Mill Roll's property, plant and equipment based on the asset's value-in-use, which is the future cash flow that the plant and equipment is expected to generate and the expected costs thereof over its remaining useful life. Based on the valuation performed by the valuer, the value-in-use of the plant and equipment of Mill Roll approximate its net carrying amount of the plant and equipment. As such, no further impairment was made for the year ended 31 December 2014.

The discount rate used in the value-in-use calculation was approximately 10.8% (2013 : 12.7%) which management believes reflect the specific risks relating to the Mill Roll CGU.

As at December 31, 2014, the Mill Roll's property, plant and equipment has a carrying amount of approximately RMB152.3 million (2013 : RMB162.9 million), net of impairment loss.

Allowance for inventories

The carrying amount of inventories is progressively reduced based on the age and type of stocks. These estimates of realisable values are made by management after taking into account historical and forecast selling prices. The carrying amount of inventories of the Group is set out in Note 12 to the financial statements.

Allowance for doubtful trade and other receivables

The Group and Company make allowances for bad and doubtful debts based on on-going evaluation of collectability and aging analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's and Company's trade and other receivables are disclosed in Note 10 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial Assets				
Loans and receivables (including cash and cash equivalents)	**3,878,412**	2,258,816	**19,271**	34,119
Financial assets at fair value through profit or loss	**-**	393	**-**	393
Held-to-maturity financial assets	**300,000**	300,000	**-**	-
Available-for sale financial assets	**266,941**	214,735	**-**	-
Financial Liabilities				
At amortised cost	**4,779,139**	3,926,592	**4,888**	15,497
Financial liabilities at fair value through profit or loss	**113,514**	115,729	**-**	-

(i) Foreign exchange risk management

The Group is exposed to foreign exchange risk as it transacts business in various foreign currencies, mainly the Hong Kong dollars, United States dollars and Singapore dollars.

	HKD	USD	SGD
	RMB'000	RMB'000	RMB'000
Group			
At December 31, 2014			
Assets	49,892	28,357	17,983
Liabilities	-	116,103	5,063
At December 31, 2013			
Assets	51,964	277,559	9,854
Liabilities	-	97,499	15,995

	USD	SGD
	RMB'000	RMB'000
Company		
At December 31, 2014		
Assets	17,988	1,260
Liabilities	-	4,888
At December 31, 2013		
Assets	32,917	1,171
Liabilities	-	15,497

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT** (cont'd)

(i) Foreign exchange risk management (cont'd)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their transactions at the period end for a 3% change in the foreign currency rates.

If the value of HKD,USD and SGD had changed against the RMB by 3% (2013 : 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position would have been as follows:

	2014 Profit after tax RMB'000	2013 Profit after tax RMB'000
Group		
HKD against RMB		
- strengthened	**1,123**	1,169
- weakened	**(1,123)**	(1,169)
USD against RMB		
- strengthened	**(1,974)**	4,051
- weakened	**1,974**	(4,051)
SGD against RMB		
- strengthened	**(291)**	(138)
- weakened	**291**	138
Company		
USD against RMB		
- strengthened	**448**	820
- weakened	**(448)**	(820)
SGD against RMB		
- strengthened	**(90)**	(357)
- weakened	**90**	357

(ii) Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are to a certain extent dependent on changes in market interest rates. The Group has not entered into any hedging activity during the year. Nevertheless, the Group's exposure to fair value interest rate risk and cash flow interest rate risk are controlled and monitored on a regular basis. The Group's borrowings by means of convertible bonds are denominated in RMB and effectively at a fixed interest rate. Other borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in RMB and USD. If the interest rates had increased/decreased by 1% (2013 : 1%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by RMB15,270,000 (2013 : profit after tax would have been lower/higher by RMB19,723,000) as a result of higher/lower interest expense on these borrowings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iii) Equity price risk management

The Group is exposed to equity securities price risk due to its investments which are classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. The Group continually monitors its price risk exposure arising from its investments.

If prices for the equity securities at fair value through profit or loss had increased/decreased by 5% with all other variables including tax rate being held constant, the effect on profit after tax would have increased/ decreased by RMB16,000 in 2013.

If prices for the available-for-sale investments had increased/decreased by 5% (2013 : 5%) with all other variables including tax rate being held constant, the effect on fair value reserves would have increased/decreased by RMB6,172,000 (2013 : RMB3,562,000).

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade and other receivables and other assets. The Group has policies in place to ensure that sale of products are either under cash in advance or cash on delivery terms for new customers. Credit terms are only granted to customers with an appropriate credit history. Cash and cash equivalents of the Group are principally deposited with reputable banks in the People's Republic of China, Hong Kong and Singapore.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and by the Group.

To monitor control over the collection of outstanding receivables, the Group imposes the following additional internal control procedures specifically to Xingtai Mill Roll:

a. It has set up a credit review committee who will meet once every fortnight to review the recoverability of its outstanding trade receivables and formulate any action plans, if necessary, to recover outstanding trade receivables that are overdue from their respective credit terms.

b. It reports to the Company's management on a quarterly basis the age profiles of the outstanding trade receivables, and provide supporting documents to explain and justify why the credit review committee believes that overdue trade receivables remain recoverable.

c. On a quarterly basis, management will present the aging of the Group's trade receivables at the end of each reporting period to the Audit Committee for review.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iv) Credit risk management (cont'd)

The Group and the Company do not hold any collateral except for the finance leased assets. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position grossed up for any allowance for losses, except as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantees provided to banks on:				
- third parties' loans	**300,000**	571,479	**-**	-

The corporate guarantees are recallable on demand by the banks.

As at December 31, 2014, the finance lease receivables were mainly due from one debtor (2013 : one debtor), Tangshan Delong Steel Co., Ltd., a company that is not related to the Group. The Group's credit exposure to Tangshan Delong Steel Co., Ltd at the end of the reporting period was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Entrusted loan (Note 13)	**45,000**	45,000
Finance lease receivables (Note 11)	**25,341**	57,474
Corporate guarantees provided to banks on Tangshan Delong Steel Co., Ltd's loans (Note 34)	**150,000**	280,000
	220,341	382,474

The credit risk for trade and other receivables and other assets based on the information provided to key management is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
By geographical areas				
People's Republic of China	**897,082**	1,061,548	**55,113**	55,098
Singapore	**94**	253	**165,747**	174,774
	897,176	1,061,801	**220,860**	229,872

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT** (cont'd)

(iv) Credit risk management (cont'd)

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
By types of customers				
Non-related parties	**897,176**	1,061,801	**86**	206
Subsidiaries	**-**	-	**220,774**	229,666
	897,176	1,061,801	**220,860**	229,872

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks in the People's Republic of China, Hong Kong and Singapore. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection record with the Group.

(v) Liquidity risk management

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits.

As at December 31, 2014, the current liabilities exceed the current assets of the Group by RMB323,625,000 (2013 : RMB63,723,000). Management is of the view that financial institutions do not normally extend long-term borrowings to steel enterprises in the People's Republic of China ("PRC").

As at December 31, 2014, the Group has available credit facilities amounting to RMB2,328 million (2013 : RMB3,778 million) which are not yet utilised and all conditions precedent had been met. These facilities will be available for draw down for the purpose of procuring raw materials or meeting working capital needs or replacing its short-term borrowings when they fall due.

The Group had satisfactorily maintained its credit facilities with the financial institutions in the PRC and had successfully renewed or rolled over its short-term borrowings when they fall due during the financial year. The Group and Company have met with all covenants imposed by the financial institutions. Management is not aware of any circumstances that may cause the financial institutions not to continue with the credit facilities.

Based on the above, management and the directors are of the view that the Group and Company are able to continue to operate as going concerns.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow of the Group and the Company. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the needs, monitoring liquidity ratios, and maintaining debt financing plans.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(v) Liquidity risk management (cont'd)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows (including interest payments).

	Weighted average effective interest rate % per annum	Less than 1 year RMB'000	Later than 1 year and not later than 5 years RMB'000
Group			
At December 31, 2014			
Notes payables	-	1,761,250	-
Trade and other payables	-	1,502,295	-
Borrowings	7%	1,574,992	687,445
Financial guarantee contracts	-	300,000	-
At December 31, 2013			
Notes payables	-	383,800	-
Trade and other payables	-	1,562,339	-
Borrowings	4%	1,817,765	948,245
Convertible shares	5%	10,678	-
Financial guarantee contracts	-	571,479	-
Company			
At December 31, 2014			
Trade and other payables	-	4,861	-
Borrowings	8%	13	15
At December 31, 2013			
Trade and other payables	-	5,242	-
Borrowings	8%	15	27
Convertible shares	5%	10,678	-

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and maintaining adequate amount of committed credit facilities.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group and Company				
At December 31, 2014				
Assets				
Available-for-sale financial assets [a]	123,441	-	-	123,441
Liabilities				
Purchase consideration payable [c]	-	-	113,514	113,514

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT** (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group and Company				
At December 31, 2013				
Assets				
Financial assets at fair value through profit or loss – equity held for trading [a]	393	-	-	393
Available-for-sale financial assets [a]	71,235	-	-	71,235
	71,628	-	-	71,628
Liabilities				
Convertible shares derivative liability component [b]	-	-	388	388
Purchase consideration payable [c]	-	-	115,729	115,729
	-	-	116,117	116,117

(a) The valuation technique and key inputs for the fair value of financial instruments traded in active market (such as equity securities) is based on quoted market prices at the end of the reporting period.

(b) In 2013, the Group engaged a professional valuer to assess the fair value of financial instruments that are not traded in an active market (for example, unlisted equity options, derivative components of the convertible bonds and convertible shares).

The professional valuer used the Binomial Tree model and market data inputs which were based on market conditions existing at the end of each reporting period. Key market data inputs used in the valuation of the derivative components of the convertible bonds and convertible shares included the quoted market price of the Company's shares at the end of the reporting period of S$0.42 per share and the volatility of the share price of 82.3%. If the share price used in the valuation had been S$0.46 or S$0.38 instead of S$0.42, the fair value of the derivative components of the convertible bonds and convertible shares would have changed to approximately RMB0.4 million and RMB0.2 million respectively. If the volatility of the share price used in the valuation had been 92.3% or 72.3%, instead of 82.3%, the fair value of the derivative components of the convertible bonds and convertible shares would have changed to approximately RMB0.4 million and RMB0.2 million respectively.

In addition, while the Group's convertible bonds and convertible shares (accounted for as a financial liability) were measured at amortised cost using the effective interest method, the derivative component were recognised at fair value at the end of the reporting period and such fair values were determined by using valuation techniques. Such fair value measurements were categorised as Level 3 within the fair value hierarchy.

The valuation technique and key inputs was based on discounted cash flows. The most significant unobservable inputs to these fair value measurements was the effective interest rate of 11.4% per annum used to discount the future contracted cash flows, where the higher the effective interest rate, the lower the fair value.

The effective interest rate of 11.4% represented the market interest rate that would be available to the Group if it were to issue a single debt instrument, instead of issuing compound financial instruments, and was determined by benchmarking with comparable debt instruments in the market at the date of issue.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

(c) In determining the purchase consideration payable for acquisition of the remaining equity interests in a subsidiary, management had used the fair value of the share of net assets assumed by the non-controlling shareholder as at date of acquisition adjusted for its share of post-acquisition reserves.

The following table presents the changes in Level 3 financial assets (liabilities) instruments for the financial year:

	Purchase consideration payable RMB'000	Convertible shares - derivative component RMB'000
2014		
Opening balance	(115,729)	(388)
Redemption for the year	-	684
Conversion into new ordinary shares	-	18
Change in fair value recognised in profit or loss	2,215	(314)
Closing balance	(113,514)	-
2013		
Opening balance	(110,125)	(837)
Redemption for the year	-	4,041
Change in fair value recognised in profit or loss	(5,604)	(3,592)
Closing balance	(115,729)	(388)

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and notes payables approximate their fair values. The fair value of financial liabilities (such as convertible bonds and convertible shares) for disclosure purposes was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group at the end of the reporting period if it were to issue a single debt instrument, instead of issuing compound financial instruments, and was determined by benchmarking with comparable debt instruments in the market (Note 22). The fair values of other borrowings approximate their carrying amounts. There were no transfers into or out of Level 3 in 2013 and 2014.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group's overall strategy remains unchanged from prior year.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as convertible bonds and convertible shares and borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net debt	**2,861,713**	2,649,988	**(19,158)**	(23,658)
Total equity	**2,683,917**	2,588,110	**2,220,778**	2,233,774
Total capital	**5,545,630**	5,238,098	**2,201,620**	2,210,116
Gearing ratio	**51.6%**	50.6%	**N.A**	N.A

5a HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Best Decade Holdings Limited, incorporated in the British Virgin Islands. The Company's ultimate holding company is Honest Joy International Ltd, incorporated in the British Virgin Islands. The controlling shareholder of Honest Joy International Ltd is Mr Ding Liguo. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

5b OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties or related companies and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Trading transactions

During the year, Group entities entered into the following significant trading transactions with related parties:

	2014	2013
	RMB'000	RMB'000
Interest expense to non-controlling shareholder	**-**	900

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries and other short term employee benefits	**9,069**	8,507
Post-employment benefits – defined contributions plans	**1,896**	2,108
	10,965	10,615

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**497,034**	347,963	**1,675**	8,170
Fixed deposits	**438,587**	25,743	**17,510**	25,743
Cash and cash equivalents in the statement of cash flows	**935,621**	373,706	**19,185**	33,913

Fixed deposits bear average effective interest rate of 2.3% (2013 : 0.5%) per annum and for a tenure of approximately 30 days (2013 : 14 days).

The remittance of funds denominated in Renminbi ("RMB") out of the People's Republic of China ("PRC") is subject to the restrictions imposed by the State Administration of Foreign Exchange of China in PRC.

7 BANK BALANCES PLEDGED

These bank balances were pledged as security for certain bank borrowings and notes payables (Note 21) and letter of credit facilities amounting to RMB1,528,112,000 as at December 31, 2014 (2013 : RMB383,800,000).

Bank balances pledged bear average effective interest rate of 2% (2013 : 2%) per annum.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Quoted equity shares, at fair value	**-**	393

The above investment represented investments in listed equity securities that offered the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate. The fair values of these securities were based on quoted market prices on the last market day of the financial year.

9 HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2014	2013
	RMB'000	RMB'000
Unquoted debt securities, at amortised cost	**300,000**	300,000

The coupon rate of the unquoted debt securities ranges from 6.25% to 7% (2013 : 6.25% to 7.2%) per annum and mature within 12 months.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Finance lease receivables (Note 11)	**20,025**	37,858	**-**	-
Due from an investee company [(a)]	**-**	23,470	**-**	-
Trade receivables	**56,518**	66,172	**23**	10
Notes receivables [(c)]	**564,216**	714,618	**-**	-
Loans to subsidiaries [(b)]	**-**	-	**220,774**	-
Other receivables from third parties [(d)]	**1,473**	15,000	**-**	-
	642,232	857,118	**220,797**	10
Non-current				
Finance lease receivables (Note 11)	**7,069**	25,909	**-**	-
Due from an investee company [(a)]	**22,667**	-	**-**	-
Loans to subsidiaries [(b)]	**-**	-	**-**	229,666
Other receivables from third parties [(d)]	**-**	1,473	**-**	-
	29,736	27,382	**-**	229,666

(a) The amount is due from an investee company which is unsecured, bears an interest of 7.47% (2013 : 7.47%) per annum and repayable in June 2017 (2013: June 2014).

(b) In 2014, the loans to subsidiaries are unsecured, interest-free and are expected to be repayable on demand. In 2013, the loans to subsidiaries were unsecured, interest-free and not expected to be repaid within the next 12 months.

(c) Notes receivables in 2013 and 2014 are interest free and repayable within 180 days.

(d) Other receivables from two third parties form part of the assets acquired during the acquisition of a subsidiary, Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel") in 2012. The balances are unsecured, interest free and non-trade in nature. Based on the repayment agreement with one of the parties, the amount will be repaid in three instalments with the final instalment in 2014.

In accordance with the Sales and Purchase agreement for the acquisition of Aoyu Steel, any receivables that have not been recovered by the time the Group is acquiring the remaining 20% equity interest in Aoyu Steel, such amount will be offset against any amount owing by Aoyu Steel to the non-controlling shareholder or will be deducted from the purchase consideration for the remaining 20% equity interest payable to the non-controlling shareholder.

The table below is an analysis of trade receivables as at December 31 :

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not past due and not impaired	**31**	7,042	**23**	10
Past due but not impaired [(a)]	**56,487**	59,130	**-**	-
Impaired receivables individually assessed [(b)]	**16,459**	16,232	**-**	-
Less: Allowance for doubtful debts	**(16,459)**	(16,232)	**-**	-
Total trade receivables, net	**56,518**	66,172	**23**	10

10 TRADE AND OTHER RECEIVABLES (cont'd)

(a) Included in the Group's trade receivable balance are debtors which are past due at the end of the reporting period for which the Group have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(b) These receivables are stated before any reduction for impairment losses and are not secured by any collateral or credit enhancements.

Aging of trade receivables that are past due but not impaired as at December 31, 2014:

	Group	
	2014	2013
	RMB'000	RMB'000
1 to 90 days	**42,750**	24,453
91 to 180 days	**10,254**	11,585
180 days to 540 days	**3,483**	13,192
Over 540 days	**-**	9,900
Total	**56,487**	59,130

Movement in the allowance for doubtful debts

	Group	
	2014	2013
	RMB'000	RMB'000
Balance at beginning of the year	**16,232**	3,869
Increase in allowance recognised in profit or loss	**227**	12,363
Balance at end of the year	**16,459**	16,232

11 FINANCE LEASE RECEIVABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts receivable under finance leases:				
Within one year	**21,177**	40,678	**20,025**	37,858
In the second to fifth year inclusive	**6,137**	27,279	**7,069**	25,909
	27,314	67,957	**27,094**	63,767
Less: unearned finance income	**(220)**	(4,190)	**-**	-
Present value of minimum lease payments receivable	**27,094**	63,767	**27,094**	63,767

11 FINANCE LEASE RECEIVABLES (cont'd)

The finance lease arrangements entered into by the Group are mainly for the leasing of plant and equipment to third parties. The leases are denominated in the Chinese Renminbi and the term of the finance leases entered into is for a period 2 to 5 years. The range of effective interest rates contracted is from 6.15% to 10.84% (2013 : 6.15% to 10.84%) per annum.

Finance lease receivable balances are secured over the plant and equipment leased to these third parties. The fair value of the Group's finance lease receivables approximately their carrying amounts.

12 INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	468,353	621,008
Work-in-progress	68,783	152,672
Finished goods	118,749	95,628
	655,885	869,308

The cost of inventories recognised as an expense includes RMB10,652,000 (2013: income of RMB21,132,000) in respect of write-down of inventory to net realisable value. The finished goods amounting to RMB118,749,000 (2013 : RMB95,628,000) is carried at net realisable value.

13 OTHER ASSETS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits	**63**	208	**63**	196
Prepayments	**348,640**	742,409	**641**	96
Less: Allowance for doubtful debts	**(20,415)**	(20,664)	**-**	-
	328,288	721,953	**704**	292
Entrusted loans to third parties [a]	**125,000**	125,000	**-**	-
VAT	**88,098**	91,138	**-**	-
Tax recoverable	**5,423**	20,147	**-**	-
Other receivables from non-controlling interest shareholders	**13,306**	-	**-**	-
Others	**75,503**	52,093	**-**	-
	635,618	1,010,331	**704**	292

13 OTHER ASSETS (cont'd)

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed as:				
Current	**601,105**	750,417	**704**	292
Non-current	**34,513**	259,914	**-**	-
	635,618	1,010,331	**704**	292

Movement in the allowance for doubtful debts

	Group	
	2014	2013
	RMB'000	RMB'000
Balance at beginning of the year	**20,664**	-
(Decrease) / Increase in allowance recognised in profit or loss	**(249)**	20,664
Balance at end of the year	**20,415**	20,664

(a) The Group advances RMB125 million (2013 : RMB125 million) through banks to third parties. The loans are unsecured, bear interest at rates ranging from 7% to 12.9% (2013 : 6.6% to 12.9%) per annum and are due within the next twelve months.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	**214,735**	71,300
Additions	**54,192**	162,304
Disposal	**-**	(10,000)
Change in fair value	**(1,986)**	(8,869)
End of financial year	**266,941**	214,735
Unquoted equity shares, at cost	**143,500**	143,500
Quoted debt securities, at fair value	**123,441**	71,235
	266,941	214,735

The unquoted equity shares are carried at cost as the management and directors are of the view that the fair value cannot be reliably measured. There are no active markets for these unlisted equity investments and their fair values cannot currently be estimated within a reasonable range. There is currently no intention to dispose of these investments in the foreseeable future. As at the end of reporting period, the management and directors have assessed that no impairment is required for these investments.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	**1,984,916**	1,984,916

Details of the Company's subsidiaries at December 31, 2014 are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2014	2013	**2014**	2013	
		%	%	**%**	%	
Held by the Company						
Asia Paragon International Limited [(a)]	British Virgin Islands	**100**	100	**100**	100	Investment holding
Dexin Steel Pte Ltd [(b)]	Singapore	**100**	100	**100**	100	Procurement and sale of iron ore
Held by Asia Paragon International Limited						
Delong Steel Limited [(c)]	PRC	**100**	100	**100**	100	Production and sales of hot-rolled steel coils
Dezhong International Financing Leasing Co., Ltd [(c)]	PRC	**100**	100	**100**	100	Financial leasing activities
Held by Dexin Steel Pte Ltd						
Xingtai Xinlong Coal-Gas Limited [(c)]	PRC	**100**	100	**100**	100	Coal gas recycling
Xingtai Delong Machinery and Mill Roll Co., Ltd [(c)]	PRC	**100**	100	**100**	100	Design, development, manufacturing and sale of large diameter steel mill rollers and large cast steel articles
Dexin Holdings Pte Ltd [(b)]	Singapore	**100**	100	**100**	100	Investment holding
Held by Dexin Holdings Pte Ltd						
Dexin Holdings Cambodia Pte Ltd [(a)]	Cambodia	**100**	100	**100**	100	Investment in steel-related project

15 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2014	2013	**2014**	2013	
		%	%	**%**	%	
Held by Delong Steel Limited						
Tianjin Qiruicheng International Trading Co., Ltd [c]	PRC	**100**	100	**100**	100	Investment in resource-related projects and trading in steel and steel-related products
Beijing Longyuan Weida Energy Technology Co., Ltd	PRC	**100**	100	**100**	100	Technology development, technology advisory and technology related investments
Delong Steel Singapore Projects Pte Ltd	Singapore	**100**	100	**100**	100	Investment holding
Baoding Delong Technology Enterprise Co., Ltd [c]	PRC	**100**	-	**100**	-	Production and sales of hot-rolled coils
Held by Delong Steel Singapore Projects Pte Ltd						
Delong (Thailand) Co., Ltd [c]	Thailand	**55**	55	**55**	55	Production and sale of hot-rolled narrow strip coils
Held by Tianjin Qirucheng International Trading Co., Ltd						
Laiyuan County Aoyu Steel Co., Ltd [c]	PRC	**80**	80	**80**	80	Production and sales of steel billets

(a) Not required to be audited under the laws of the country of incorporation.

(b) Audited by Deloitte & Touche LLP, Singapore.

(c) Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purpose.

15 INVESTMENTS IN SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Laiyuan County Aoyu Steel Co., Ltd	PRC	**20**	20	**(2,215)**	5,604	**113,514**	115,729
Delong (Thailand) Co., Ltd	Thailand	**45**	45	**(3,811)**	-	**81,919**	-
Total				**(6,026)**	5,604	**195,433**	115,729

As at December 31, 2014, capital reserve amounting to RMB 90,385,000 (2013: RMB 90,385,000) are attributable to the non-controlling interests of Laiyuan County Aoyu Steel Co., Ltd.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of subsidiaries	Laiyuan County Aoyu Steel Co., Ltd		Delong (Thailand) Co., Ltd	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**1,177,008**	644,986	**33,379**	-
Non-current assets	**570,246**	668,554	**172,867**	-
Current liabilities	**(1,190,805)**	(771,844)	**(26,167)**	-
Non-current liabilities	**-**	-	**(74)**	-
Equity	**556,449**	541,696	**180,006**	-
Total income	**2,591,287**	2,674,576	**783**	-
Total expenses	**(2,576,536)**	(2,612,456)	**(9,252)**	-
Profit / (loss) for the year	**(14,751)**	62,120	**(8,469)**	-
Net cash inflow / (outflow) from operating activities	**422,960**	89,335	**(2,609)**	-
Net cash outflow from investing activities	**(163,415)**	(122,422)	**(141,623)**	-
Net cash inflow from financing activities	**35,981**	24,958	**162,496**	-
Net cash inflow / (outflow) inflow	**295,526**	(8,129)	**18,264**	-

The Company has provided financial support to certain subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as a going concern and meet their contractual obligations when they fall due.

16 INVESTMENT IN ASSOCIATE

	Group 2014 RMB'000	Group 2013 RMB'000
Cost of investment in associates	**4,900**	-
Share of post-acquisition loss, net of dividend received	**(323)**	-
	4,577	-

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS.

Name of associate	Country of incorporation	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %	Proportion of voting power held 2014 %	Proportion of voting power held 2013 %	Principal activity
Held by Asia Paragon International Limited						
Xingtai Xilan Zhongde Natural Gas Co., Ltd.	PRC	49	-	49	-	Constructing and operating liquefied natural gas (LNG) fueling stations

At the end of the reporting period, the associate has a total current asset of RMB6,675,000, non-current asset of RMB2,986,000 and current liabilities of RMB320,000. The associate reported a net loss of RMB659,000 for the period ended December 31, 2014.

17 PROPERTY, PLANT AND EQUIPMENT

	Prepaid leases RMB'000	Leasehold buildings RMB'000	Plant and equipment RMB'000	Motor vehicles and others RMB'000	Construction -in-progress RMB'000	Total RMB'000
Group						
Cost						
At January 1, 2013, restated	189,025	1,201,532	4,374,478	146,442	103,657	6,015,134
Additions	1,710	6,825	96,865	37,142	209,904	352,446
Adjustment (a)	-	(238)	(3,528)	-	-	(3,766)
Disposals	-	(5,664)	(83,301)	(16,855)	-	(105,820)
Transfers in (out)	-	59,743	200,175	2,399	(262,317)	-
Exchange difference	-	-	-	(7)	-	(7)
At December 31, 2013	190,735	1,262,198	4,584,689	169,121	51,244	6,257,987
Additions	56,198	242,276	390,557	68,132	114,635	871,798
Disposals	(391)	(67,113)	(165,388)	(17,967)	-	(250,859)
Exchange difference	-	-	(5)	-	(713)	(718)
At December 31, 2014	246,542	1,437,361	4,809,853	219,286	165,166	6,878,208
Accumulated depreciation						
At January 1, 2013, restated	37,647	309,418	2,363,163	67,655	-	2,777,883
Charge for the year	4,462	71,666	389,777	16,026	-	481,931
Disposals	-	(2,822)	(3,794)	(10,727)	-	(17,343)
Exchange difference	-	-	-	2	-	2
At December 31, 2013	42,109	378,262	2,749,146	72,956	-	3,242,473
Charge for the year	4,625	73,861	354,339	23,230	-	456,055
Disposals	-	(33,560)	(127,121)	(9,642)	-	(170,323)
At December 31, 2014	46,734	418,563	2,976,364	86,544	-	3,528,205
Accumulated impairment						
At January 1, 2013	-	4,613	102,709	-	303	107,625
Charge for the year	-	27,178	39,115	579	-	66,872
At December 31, 2013	-	31,791	141,824	579	303	174,497
Reversal for the year	-	-	(38,273)	-	-	(38,273)
At December 31, 2014	-	31,791	103,551	579	303	136,224
Carrying amounts						
At December 31, 2013	148,626	852,145	1,693,719	95,586	50,941	2,841,017
At December 31, 2014	199,808	987,007	1,729,938	132,163	164,863	3,213,779

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office renovation RMB'000	Office equipment RMB'000	Total RMB'000
Company			
Cost			
At January 1, 2013	428	242	670
Additions	-	-	-
At December 31, 2013	428	242	670
Additions	-	67	67
Disposals	(428)	(242)	(670)
At December 31, 2014	-	67	67
Accumulated depreciation			
At January 1, 2013	428	133	561
Charge for the year	-	28	28
At December 31, 2013	428	161	589
Charge for the year	-	22	22
Disposals	(428)	(180)	(608)
At December 31, 2014	-	3	3
Carrying amounts			
At December 31, 2013	-	81	81
At December 31, 2014	-	64	64

a) This relates to over-accrual of purchase price of plant and equipment in prior years. The purchase price was finalised durin the current financial year.

At December 31, 2014, certain property, plant and equipment of the Group with a total carrying amount of approximately RMB1,144 million (2013 : RMB1,784 million), are pledged as security for certain bank borrowings (Note 21(a)).

18 INTANGIBLE ASSETS

	Customer Relationship RMB'000
Group	
Cost	
At December 31, 2013 and 2014	28,800
Accumulated amortisation	
At January 1, 2013	4,320
Charge for the year	5,760
At December 31, 2013	10,080
Charge for the year	5,760
At December 31, 2014	15,840
Carrying amount	
At December 31, 2013	18,720
At December 31, 2014	12,960

The intangible asset acquired during the acquisition of a subsidiary is amortised over five years.

19 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Unutilised capital allowances RMB'000	Unremitted profits RMB'000	Revaluation of assets RMB'000	Total RMB'000
At January 1, 2013	14,528	(22,889)	(23,271)	(31,632)
(Charged) Credited to profit or loss	(724)	-	11,554	10,830
At December 31, 2013	13,804	(22,889)	(11,717)	(20,802)
(Charged) Credited to profit or loss	(11,160)	-	8,609	(2,551)
At December 31, 2014	2,644	(22,889)	(3,108)	(23,353)

19 DEFERRED TAX (cont'd)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

Certain deferred tax assets and liabilities have been offset in accordance with the Group accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2014	2013
	RMB'000	RMB'000
Deferred tax liabilities	**25,997**	34,606
Deferred tax assets	**(2,644)**	(13,804)
	23,353	20,802

Subject to the agreement by the tax authorities, at the end of the reporting period, two of the Group's subsidiaries has unutilised tax losses of RMB206.4 million (2013 : RMB214.6 million) available for offset against future profits. No deferred tax asset has been recognised in respect of this due to unpredictability of future profit streams of these subsidiaries. The tax losses arising from subsidiaries in PRC has an expiry period of five years.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables to third parties	**693,044**	607,324	**-**	-
VAT and other taxes payable	**1,201**	27,216	**-**	-
Payable to contractors for construction-in-progress	**55,740**	36,501	**-**	-
Advances from customers	**454,203**	636,406	**-**	-
Other accrual for operating expenses	**4,717**	19,950	**2,691**	2,735
Accrual for interest expense	**17,470**	25,619	**-**	-
Accrual for staff cost	**46,188**	50,435	**-**	-
Due to directors (non-trade) [(a)]	**2,163**	2,341	**2,163**	2,341
Deferred income	**17,706**	6,846	**-**	-
Deferred government grant	**22,340**	16,189	**-**	-
Rental from customers	**4,629**	12,841	**-**	-
Other payables	**182,894**	120,671	**7**	166
	1,502,295	1,562,339	**4,861**	5,242

(a) Amounts due to directors (non-trade) were unsecured, interest-free and repayable within the next 12 months.

The average credit period on purchases of goods is 60 days (2013 : 60 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

21 BORROWINGS AND NOTES PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Notes payables [c]	**1,761,250**	383,800	**-**	-
Finance lease liabilities [d]	**42**	11	**13**	11
Bank borrowings				
- Unsecured	**9,218**	225,009	**-**	-
- Secured [a]	**762,000**	1,056,136	**-**	-
- Guaranteed [b]	**632,261**	484,733	**-**	-
	3,164,771	2,149,689	**13**	11
Non-current				
Finance lease liabilities [d]	**88**	28	**14**	28
Bank borrowings				
- Unsecured	**10,930**	14,930	**-**	-
- Secured [a]	**557,159**	200,000	**-**	-
- Guaranteed [b]	**64,386**	648,831	**-**	-
	632,563	863,789	**14**	28
Total borrowings	**3,797,334**	3,013,478	**27**	39

(a) Security granted

As at December 31, 2014 and 2013, the Group's bank loans were secured by certain property, plant and equipment (Note 17) and pledged bank balances (Note 7).

(b) Credit risk

The bank loans were guaranteed by third parties, and Mr Ding Liguo, a director of the Company. In return, the Group has provided guarantees to banks for borrowings of these third parties as at December 31, 2014 and 2013 (see Note 34).

(c) Notes payables

Notes payables in 2013 and 2014 are interest-free and are repayable within 180 days.

21 BORROWINGS AND NOTES PAYABLES (cont'd)

(d) Minimum lease payments

Group

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	46	15	42	11
In the second to fifth years inclusive	96	27	88	28
	142	42	130	39
Less: future finance charges	(12)	(3)	-	-
Present value of lease obligations	130	39	130	39
Less: Amount due for settlement within 12 months (shown under current liabilities)			(42)	(11)
Amount due for settlement after 12 months			88	28

Company

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	13	15	13	11
In the second to fifth years inclusive	15	27	14	28
	28	42	27	39
Less: future finance charges	(1)	(3)	-	-
Present value of lease obligations	27	39	27	39
Less: Amount due for settlement within 12 months (shown under current liabilities)			(13)	(11)
Amount due for settlement after 12 months			14	28

22 CONVERTIBLE SHARES

On restructuring of the Old Convertible Bonds in 2009, the Company issued 43,534,458 Convertible Shares at S$0.9211 per share which rank pari passu in all respects with the ordinary shares except as follows:

(a) Convertible Share holders ("Holders") have the put options to require the Company to redeem up to 50% of the Convertible Shares on each of November 26, 2013 and November 26, 2014, at S$0.9211 per share. The put option will lapse when the Holders:

- elect to convert the Convertible Shares into new ordinary shares; or
- have sold, transferred or disposed of the Convertible Shares; or
- elect not to sell the Convertible Shares following the exercise of call option by the Company.

(b) The Company has the call option to redeem the Convertible Shares at any time from January 1, 2010 to December 31, 2014 at a redemption price computed with an imputed interest yield of 5% on the issuance price of S$0.9211 per share. The call option will lapse when:

- the Holders convert the Convertible Shares into new ordinary shares; or
- the Holders have sold, transferred or disposed of the Convertible Shares.

The Convertible Shares are convertible at the option of the Holders, at any time into new ordinary shares of the Company at a conversion rate of one Convertible Share for one ordinary share. The new ordinary shares issued upon conversion of the Convertible Share will, in all respect, rank pari passu with the existing shares in issue.

The total number of new ordinary shares of the Company to be issued upon full conversion of all the convertible Bonds is 43,534,458 shares representing 8.1% of the enlarged share capital of the Company at the date of restructuring.

22 CONVERTIBLE SHARES (cont'd)

The movement of the Convertible Shares during the financial year is as follows:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Non-derivative liability component		
At beginning of year	**9,828**	120,955
Amortisation of interest expense	**464**	6,698
Conversion into new ordinary shares	**(577)**	-
Redemption of convertible shares	**(9,799)**	(102,964)
Expiration of the Put Option	**-**	(11,221)
Currency realignment adjustment	**84**	(3,640)
At end of year	**-**	9,828
Derivative liability component		
At beginning of year	**388**	837
Loss on change in fair value during the financial year	**314**	3,592
Conversion into new ordinary shares	**(18)**	-
Redemption of convertible shares	**(684)**	(4,041)
At end of year	**-**	388
Total carrying amount of Convertible Shares at end of year	**-**	10,216

The convertible shares were fully redeemed on 26 November 2014.

The fair value of the non-derivative liability component of the Convertible Shares, which were not actively traded, was approximately RMB9,585,522 as at December 31, 2013, based on cash flows discounted at an effective interest rate of 11.4%. The effective interest rate represented the market interest rate that would be available to the Group determined by benchmarking with comparable debt instruments in the market at the end of the reporting period.

23 SHARE CAPITAL

	Group and Company		Group		Company	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At beginning of the financial year	**550,438**	550,438	**405,147**	405,147	**2,110,983**	2,110,983
Issue of shares pursuant to conversion of convertible bonds and convertible shares	**476**	-	**1,497**	-	**1,497**	-
At end of the financial year	**550,914**	550,438	**406,644**	405,147	**2,112,480**	2,110,983

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company. The newly issued shares rank pari passu in all respect with the previously issued shares.

24 PURCHASE CONSIDERATION

On March 31, 2012, the Group acquired 80% of the issued capital of Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel") for cash consideration of RMB285.3 million (the "Acquisition"), and has been accounted for by the acquisition method of accounting.

In accordance with the sales and purchase agreement, within three years from March 31, 2012 and subject to Aoyu Steel keeping its business registration and continuous production, the Group shall acquire the remaining 20% equity interest ("Balance Equity") from Hebei Aowei on the terms and conditions as agreed upon. The purchase consideration payable for the remaining 20% will be calculated based on the unaudited net assets of Aoyu Steel at the time of acquisition of the Balance Equity but not lower than the proportionate share of the first purchase consideration of RMB285.3 million. As at December 31, 2014, the purchase consideration payable and capital reserve recorded are RMB113,514,000 (2013 : RMB115,729,000) and RMB90,385,000 (2013 : RMB90,385,000) respectively.

On March 27, 2015, the Group and Hebei Aowei signed an agreement that the purchase consideration for the remaining 20% will be determined based on Aoyu Steel's unaudited net assets value at March 31, 2015.

25 RESERVES

Capital reserve

Capital reserve amounting to RMB249,218,000 (2013 : RMB249,218,000) pertains to equity component of the Old Convertible Bonds issued in June 2007. The Old Convertible Bonds were extinguished in November 2009.

Capital reserve amounting to RMB4,106,000 pertained to recognition of expiration of put option with respect to Convertible Shares (Note 22) in November 2013. As the Company was unable to locate the Convertible Share holders ("Holders") upon expiry of put option, the amount was transferred to capital reserve. In the current year, this is transferred to share capital upon issuance of new shares to the Holders.

Capital reserve (presented alongside with non-controlling interests) amounting to RMB90,385,000 at December 31, 2014 pertains to forward purchase consideration for the remaining non-controlling interests of a subsidiary (Note 24) at the date of acquisition.

25 RESERVES (cont'd)

Statutory reserve

The subsidiaries in the People's Republic of China ("PRC") are required to provide for certain statutory reserve fund, which are appropriated from net profit after tax (based on the financial statements prepared in accordance with the generally accepted accounting principles of the PRC) but before dividend distribution. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or to increase capital.

Retained earnings

As at December 31, 2014, approximately RMB126,974,000 (2013 : RMB126,974,000) of the total retained earnings cannot be distributed as dividends as these are accumulated before the Reserve Acquisition (Note 2).

Fair value reserve

Fair value reserve amounting to RMB10,855,000 (2013: RMB8,869,000) at December 31, 2014 pertains to fair value changes on available-for-sales financial assets (Note 14).

26 REVENUE

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of goods	**9,523,568**	11,547,689

27 OTHER INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Government grants	**-**	13,006
Finance lease income	**9,816**	7,660
Interest income		
- bank deposits	**50,868**	31,045
- amount due from an investee company	**1,748**	1,778
- entrusted loans to third parties (Note 13)	**13,737**	9,132
- held-to-maturity financial assets (Note 9)	**18,865**	19,618
	95,034	82,239

28 OTHER GAINS (LOSSES) - NET

Other gains (losses) include the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of financial assets at fair value through profit or loss – net	**15**	-
Fair value gain (loss) on financial assets at fair value through profit or loss	**23**	(137)
Loss on disposal of property, plant and equipment	**(31,876)**	(10,041)
Impairment reversal (charges) on property, plant and equipment (Note 17)	**38,273**	(66,872)
Net foreign exchange gain	**2,255**	12,690
Gain on early redemption of convertible shares	**-**	7,177
Fair value loss on convertible shares (Note 22)	**(314)**	(3,592)
Fair value changes on purchase consideration payable (Note 24)	**2,215**	(5,604)

29 EXPENSES BY NATURE

Cost of sales, distribution and marketing and administrative expenses has been arrived at after charging:

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials, finished goods and consumables	**8,863,497**	11,033,420
Changes in inventories of raw materials, work-in-progress and finished goods	**390,044**	88,176
Depreciation of property, plant and equipment (Note 17)	**456,055**	481,931
Amortisation of intangible assets	**5,760**	5,760
Impairment for property, plant and equipment	**(38,273)**	66,872
Allowance (Reversal) for inventories	**10,652**	(21,132)
(Reversal) Allowance for doubtful debts	**(22)**	33,027
Staff costs	**374,979**	406,816
Rental on operating leases	**1,804**	858
Repairs and maintenance	**38,162**	98,843

30 FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expenses:		
- bank borrowings	**160,094**	144,527
- finance lease liabilities	**2,698**	4
- convertible shares	**464**	6,698
- loan to non-controlling shareholder (Note 5b)	**-**	900
Bills discounting charges – net	**33,391**	21,852
Bank charges	**32,285**	20,237
	228,932	194,218

31 INCOME TAX EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Tax expense is made up of:		
Current tax:	**-**	1,560
- Singapore	**72,172**	46,582
- Foreign	**2,551**	(11,554)
Deferred tax	**74,723**	36,588
Adjustment in respect of the preceding financial years:		
Current income tax	**1,130**	(1,262)
Deferred income tax	**-**	724
	75,853	36,050

31 INCOME TAX EXPENSES (cont'd)

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2013 : 25%) due to the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before tax	**170,715**	14,587
Tax calculated at tax rate of 25% (2013 : 25%)	**42,679**	3,647
Effects of:		
Different tax rates in other countries	**1,908**	978
Expenses not deducted for tax	**10,607**	7,172
Effect of deferred tax assets not recognised	**17,908**	25,179
Statutory stepped income exemption in Singapore	**-**	(267)
Others	**1,621**	(121)
Tax charge	**74,723**	36,588

With effect from January 1, 2008, any profit to be remitted out of China in the form of dividend to foreign enterprises is subject to withholding tax. Dividends declared out of profits earned prior to January 1, 2008 are exempted from such withholding tax.

32 PROFIT (LOSS) FOR THE YEAR

Other than items disclosed in other notes to the financial statements, (loss) profit for the year has been arrived at after charging:

	Group	
	2014	2013
	RMB'000	RMB'000
Directors' remuneration:		
- of the Company	**1,082**	1,092
- of the subsidiaries	**2,912**	2,934
Total directors' remuneration	**3,994**	4,026
Audit fees:		
- paid to auditors of the Company	**2,512**	2,437
Non-audit fees:		
- paid to other auditors	**287**	465

33 EARNINGS (LOSSES) PER SHARE

The following data are used in computing basic and fully diluted (losses) earnings per share disclosed in the consolidated statement of comprehensive income.

(a) Basic earnings (losses) per share

Basic earnings per share is calculated by dividing the net profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
	RMB'000	RMB'000
Net profit (loss) attributable to equity holders of the Company (RMB'000)	**100,888**	(27,067)
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**550,728**	550,438
Basic earnings (losses) per share (RMB)	**0.18**	(0.05)

(b) Diluted earnings (losses) per share

For the purpose of calculating diluted (losses) earnings per share, net profit (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and convertible shares.

Convertible bonds and convertible shares are assumed to have been converted into ordinary shares at issuance and the net profit (loss) is adjusted to eliminate the interest expense and the fair value gain on the derivative liability component.

33 EARNINGS (LOSSES) PER SHARE (cont'd)

	Group	
	2014	2013
	RMB'000	RMB'000
Net profit (loss) attributable to equity holders of the Company	**100,888**	(27,067)
Interest expense on convertible bonds and convertible shares	**464**	6,698
Currency translation (loss) gain on convertible shares	**84**	(3,640)
Fair value loss on derivative liability component of convertible bonds and convertible shares	**(314)**	3,592
Net profit (loss) used to determine diluted earnings per share	**101,122**	(20,417)
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**550,728**	550,438
Adjustments for assumed conversion of convertible bonds and convertible shares ('000)	**-**	2,444
Weighted average number of ordinary shares for diluted earnings per share ('000)	**550,728**	552,882
Diluted earnings (losses) per share (RMB)	**0.18**	(0.04)*

* The computation of diluted earnings (losses) per share does not assume the conversion of the Company's outstanding convertible shares as their assumed conversion would decrease/increase the losses per share for 2013 respectively.

34 CONTINGENT LIABILITIES

As at December 31, 2014, guarantees given to banks by the Group in respect of bank loans granted to third parties amounted to approximately RMB300.0 million (2013 : RMB571.5 million). In return, guarantees are obtained from these third parties for the Group's borrowings (Note 21).

The directors are of the view that the fair value of these financial guarantee contracts at the date of inception was minimal and that no material losses will arise from the guarantees given to banks at the date of these financial statements.

As at December 31, 2014 and 2013, there was no guarantee given to banks by the Company in respect of bank loans granted to subsidiaries.

35 DIVIDENDS

The company does not recommend that a dividend be paid for the year ended December 31, 2014 and 2013.

36 COMMITMENTS

Expenditures contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Property, plant and equipment	**275,495**	227,496
Inventories	**43,373**	106,192
	318,868	333,688

37 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2014	2013
	RMB'000	RMB'000
Payment recognised as an expense during the year	**1,804**	858

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**628**	553
In the second to fifth years inclusive	**-**	-
After five years	**-**	-

38 SEGMENT INFORMATION

The Group is primarily operating in one single operating segment i.e. the manufacture and sale of hot-rolled steel coils and billet. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the executive directors of the Group who are the chief operating decision makers. Substantially all the Group's operations were carried out in the People's Republic of China. No other individual country contributed 10% or more of the consolidated sales and assets, and no single customer contributed 10% or more of the consolidated revenue.

Other operations of the Group, including investment holding and finance leasing, do not constitute a separate reportable segment and are included in the "Other" column.

The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in Note 2 to the financial statements.

The segment information for the reportable segments for the year ended December 31, 2014 is as follows:

	Manufacturing RMB'000	Other RMB'000	Total RMB'000
2014			
REVENUE			
External Sales	13,734,331	-	13,734,331
Inter-segment sales	(4,210,763)	-	(4,210,763)
Sales to external parties	9,523,568	-	9,523,568
Adjusted EBITDA*	815,723	8,192	823,915
Depreciation and amortisation	(460,334)	(1,486)	(461,820)
Impairment reversal on property, plant and equipment	38,273	-	38,273
Unallocated:			
Finance costs			(228,932)
Share of loss of an associate			(323)
Loss on change in fair value of convertible shares			(314)
Currency exchange loss on convertible shares			(84)
Profit before income tax			170,715
Total assets	8,114,486	113,619	8,228,105
Total assets includes:			
Additions to property, plant and equipment	865,159	6,639	871,798
Total liabilities	5,360,631	78,509	5,439,140

* EBITDA refers to earnings before interest, tax, depreciation and amortisation.

38 SEGMENT INFORMATION (cont'd)

	Manufacturing RMB'000	Other RMB'000	Total RMB'000
2013			
REVENUE			
External Sales	15,170,416	-	15,170,416
Inter-segment sales	(3,622,727)	-	(3,622,727)
Sales to external parties	11,547,689	-	11,547,689
Adjusted EBITDA*	750,250	5,893	756,143
Depreciation and amortisation	(487,594)	(97)	(487,691)
Impairment charge for property, plant and equipment	(66,872)	-	(66,872)
Unallocated:			
Finance costs			(194,218)
Gain on early redemption of convertible shares			7,177
Loss on change in fair value of convertible shares			(3,592)
Currency exchange gain on convertible shares			3,640
Profit before income tax			14,587
Total assets	7,167,334	182,488	7,349,822
Total assets includes:			
Additions to property, plant and equipment	352,446	-	352,446
Total liabilities	4,694,360	42,008	4,736,368

* EBITDA refers to earnings before interest, tax, depreciation and amortisation

STATISTICS OF SHAREHOLDINGS

As At 17 March 2015

Authorised and fully paid-up capital	:	RMB2,112,480,000
No. of shares issued	:	550,913,635
Voting rights	:	1 Vote per share
Class of shares	:	Ordinary shares
Treasury shares	:	Nil

Size of shareholdings			No. of shareholders	%	No. of shares	%
1	-	99	44	2.03	1,210	0.00
100	-	1,000	792	36.60	444,162	0.08
1,001	-	10,000	862	39.83	4,082,386	0.74
10,001	-	1,000,000	455	21.03	29,770,270	5.40
1,000,001		& above	11	0.51	516,615,607	93.78
TOTAL			2,164	100.00	550,913,635	100.00

Top Twenty Shareholders	No. of shares	%
Best Decade Holdings Limited	320,817,502	58.23
Citibank Nominees Singapore Pte Ltd	58,730,565	10.66
Raffles Nominees (Pte) Ltd	39,734,400	7.21
DB Nominees (S) Pte Ltd	39,430,759	7.16
DBS Nominees Pte Ltd	34,450,741	6.25
HSBC (Singapore) Nominees Pte Ltd	8,461,590	1.54
Phillip Securities Pte Ltd	5,741,800	1.04
AGC Asia 2 Ltd	3,000,000	0.55
Morgan Stanley Asia (S) Securities Pte Ltd	2,285,000	0.42
Poh Boon Kher Melvin (Fu Wenker Melvin)	2,000,000	0.36
UOB Kay Hian Pte Ltd	1,963,250	0.36
Teo Chee Kok	915,000	0.17
Singapore Nominees Pte Ltd	700,000	0.13
Shane Tang	662,000	0.12
United Overseas Bank Nominees Pte Ltd	609,955	0.11
CIMB Securities (Singapore) Pte Ltd	592,026	0.11
Bank of Singapore Nominees Pte Ltd	555,000	0.10
Yong Foong Yee	527,000	0.10
Maybank Kim Eng Securities Pte Ltd	511,300	0.09
Lim Beak Leang	460,000	0.08
	522,147,888	94.79

STATISTICS OF SHAREHOLDINGS

As At 17 March 2015

Substantial Shareholders	Direct Interest No. of Shares	%	Deemed Interest No. of shares	%
Best Decade Holding Limited	320,817,502	58.23	-	-
Golden Top Group Limited	-	-	320,817,502 (1)	58.23
Honest Joy International Ltd	-	-	320,817,502 (2)	58.23
Ding Liguo	-	-	320,817,502 (3)	58.23
Zhao Jing	-	-	320,817,502 (3)	58.23
Evraz S.A Group	53,557,498 (5)	9.72	29,296,500 (4)	5.32
Mastercroft Limited	29,296,500 (5)	5.32	-	-

Notes:

(1) Golden Top Group Limited owns 100% of the share capital in Best Decade Holdings Limited ("Best Decade") and is therefore deemed to be interested in the shares of the Company held by Best Decade

(2) Honest Joy International Ltd owns 100% of the share capital in Golden Top Group Limited ("Golden Top") and is therefore deemed to be interested in the shares of the Company held by Best Decade

(3) Mr Ding Liguo and Madam Zhao Jing hold 70% and 30% respectively of the share capital in Honest Joy International Ltd. They are therefore deemed interested in the shares of the Company held by Best Decade

(4) Mastercroft Limited is a subsidiary of Evraz S.A Group. As such Evraz S.A Group is deemed interested in the shares held by Mastercroft Limited

(5) Shares are held through nominee account

Public shareholding

Based on the register of shareholdings and to the best of the Company , as at 17 March 2015, 26.73% of the Company's shars were held in public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Delong Holdings Limited will be held at Capital Tower, 168 Robinson Road, Level 9, Singapore 068912 on Wednesday, 29 April 2015, at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:-

   Mr. Ding Liguo (Retiring under Article 89) **(Resolution 2)**
   Mr. Lai Hock Meng (Retiring under Article 89) **(Resolution 3)**

   Mr. Lai Hock Meng will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee, and member of the Remuneration Committee and Nominating Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of RMB 1,424,850 for the financial year ended 31 December 2014. (2013: RMB 1,401,323) **(Resolution 4)**

4. To re-appoint Messrs Deloitte & Touche LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution, with or without amendments, as an Ordinary Resolution:-

   General Mandate to authorise the Directors to issue shares or convertible securities

   "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue:-

   (a) shares; or

   (b) convertible securities; or

   (c) additional convertible securities issued pursuant to Rule 829 of the Listing Rules; and/or

   (d) shares arising from the conversion of securities in (b) and (c) above, in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory note] **(Resolution 6)**

BY ORDER OF THE BOARD

Yeo Lee Luang

Company Secretary
Singapore, 14 April 2015

EXPLANATORY NOTE:

The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company of which the aggregate number of shares to be issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company.

NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for Annual General Meeing (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or repesentative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and /or representative(s) for the Purposes.

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DELONG HOLDINGS LIMITED
(Company Registration. No. 199705215G)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Delong Holdings Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominee

ANNUAL GENERAL MEETING PROXY FORM

*I/We ____________________ (Name) *NRIC / Passport No. ____________________

of____________________

being a *member/members of DELONG HOLDINGS LIMITED ("the Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company to be held at Capital Tower, 168 Robinson Road, Level 9, Singapore 068912 on Wednesday, 29 April 2015, at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Resolutions	For**	Against**
1	Directors' Reports and Audited Financial Statements for the year ended 31 December 2014		
2	Re-election of Mr Ding Liguo as a Director		
3	Re-appointment of Mr Lai Hock Meng as a Director		
4	Approval of Directors' fees amounting to RMB 1,424,850		
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6	Authority to allot and issue new shares		

* Delete accordingly
** Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this day of 2015.

Shares held in:	Total No. of Shares:
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

5. This proxy form must be deposited at the Company's registered office at 55 Market Street, Level 10, Singapore 048941 not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

PERSONAL DATA PRIVACY:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out on the Notice of Annual General Meeting dated 14 April 2015.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

德龙控股
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